



**CITY OF JANESVILLE**  
*Wisconsin's Park Place*

**Home Investment Partnership Program (HOME)**

**&**

**HOME - American Rescue Program (HOME-ARP)**

Request for Proposals  
Information and Funding Application Packet

For further information contact:  
Kelly Bedessem, Housing Services Director  
City of Janesville, Neighborhood and Community Services Department  
[bedessemk@janesvillewi.gov](mailto:bedessemk@janesvillewi.gov)

Issued: June 2025



**CITY OF JANESVILLE**  
*Wisconsin's Park Place*



**Beloit**  
WISCONSIN



**ROCK COUNTY**  
WISCONSIN

## **GENERAL INFORMATION:**

The City of Janesville and the Rock County HOME Consortium announces the availability of funding under the Home Investment Partnership (HOME) Program and the HOME American Rescue (HOME-ARP) Programs.

HOME Program funds are authorized under the Housing and Community Development Act of 1974, as amended, and are received from the U.S. Department of Housing and Urban Development (HUD). The overall purpose of the HOME Program is to create affordable housing for individuals with low-income levels. Under this RFP, HOME funds can be used to construct or rehabilitate affordable housing and pay for other reasonable expenses related to the development of housing, including site acquisition. For rental housing, at least 90 percent of benefiting families must have incomes that are no more than 60 percent of the HUD-adjusted median family income for the area. In projects with five or more assisted units, at least 20% of the units must be occupied by families with incomes that do not exceed 50% of the HUD-adjusted median.

- Approximately \$1.1 million is currently available for HOME eligible activities with the City of Janesville.
- Approximately \$275,000 is anticipated to be available for HOME eligible activities to be completed by certified Community Housing Development Organizations (CHDOs). Activities may occur throughout Rock County, including the cities of Beloit and Janesville, and other cities and towns throughout Rock County, excluding the City of Edgerton.

HOME-ARP funds were appropriated under Title II of the Cranston- Gonzalez National Affordable Housing Act of 1990 (NAHA) and the American Rescue Plan Act of 2021. The U.S. Department of Housing and Urban Development (HUD) allocated funding in the amount of \$2,442,156 to the Rock County HOME Consortium based upon the HOME Program formula, which was initially allocated under a 2022 RFP Process.

HOME-ARP funds must be used to primarily benefit individuals or families from the following qualifying populations:

- Homeless, as defined in section 103(a) of the McKinney-Vento Homeless Assistance Act (**42 U.S.C. 11302(a)**);
- At-risk of homelessness, as defined in section 401(1) of the McKinney-Vento Homeless Assistance Act (**42 U.S.C. 11360(1)**);
- Fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking, as defined by the Secretary;
- In other populations where providing supportive services or assistance under section 212(a) of the Act (**42 U.S.C. 12742(a)**) would prevent the family's homelessness or would serve those with the greatest risk of housing instability;
- Veterans and families that include a veteran family member that meet one of the preceding criteria.

- A total of \$2,329,632 is currently available for HOME-ARP eligible activities throughout Rock County, including the cities of Beloit and Janesville, and other cities and towns throughout Rock County, excluding the City of Edgerton.
  - \$1,979,632 is currently available for affordable rental housing development for qualifying populations/households
  - \$350,000 is currently available for supportive services in conjunction with a HOME-ARP affordable housing project (provided the individuals are not already receiving these services through another program).
  - The Consortium may consider a plan amendment that reallocates funding between these activities depending upon proposals received.

This application provides information and instructions for organizations and agencies interested in applying for HOME and/or HOME-ARP funds.

The HOME and HOME-ARP Programs are separate programs with their own program requirements; however, it is anticipated that both HOME and HOME-ARP funds may be used to support the same affordable housing development to maximize the number of affordable units in a project.

### **FUNDING CYCLE:**

- Applications will be accepted until all funding has been preliminarily allocated to an eligible project or projects. Applicants are encouraged to submit their application as soon as project details are known because funding is limited. Applicants for HOME-CHDO funding should be submitted no later August 1, 2025.
- If approved, applicants will be provided with a preliminary approval letter which can be used to demonstrate funding availability to other prospective project funders.
- Following preliminary award of funds and amendment approval, if required, a written agreement between the agency receiving funds and the City will be developed and executed. Execution of a written agreement for HOME and HOME-ARP funds is anticipated within 30 days of project approval. Execution of a written agreement for HOME-CHDO funds is anticipated by June 2026.
- Funding awarded under this grant program must be committed/expended as follows:
  - HOME – (City of Janesville Specific): Commit by Sept. 30, 2026
  - HOME – CHDO: Commit by June 2027
  - HOME – ARP: Spend by December 31, 2028.

**PRE-APPLICATION ASSISTANCE:**

Staff is available to answer questions and provide clarification about the HOME program, HOME-ARP program, this RFP, or the application process, but cannot offer specific comments on proposals or application drafts. All questions shall be submitted in writing via email to Kelly Bedessem, Housing Services Director at: [bedessemk@janesvillewi.gov](mailto:bedessemk@janesvillewi.gov). A Q&A document and any RFP amendments will periodically be posted to [www.janesvillewi.gov/rfp](http://www.janesvillewi.gov/rfp) to ensure that all interested parties receive the same information.

**LOBBYING:**

Proposers and other applicants are requested not to contact Community Development Authority Members, City Council members, Rock County board members or other elected officials during the application process. Lobbying during the RFP process will result in disqualification from a project award.

**GENERAL INSTRUCTIONS:**

The evaluation of proposals and allocation of HOME & HOME-ARP funding will be based on the information submitted in the proposal plus information obtained during the presentation and references, if obtained. Proposers should respond clearly and completely to all questions. Failure to respond to each of the questions may be the basis for rejecting a proposal.

The City and/or the Consortium reserves the right to reject all proposals, engage in discussions, request additional information, negotiate with applicants, recommend funding in an amount less than requested, hold interviews with all, or some, of the Developers submitting competitive proposals to aid in making the final decision.

Acceptance of a proposal does not constitute a grant agreement and does not obligate the award of funds. Funds will be committed through the execution of a written agreement with the selected developer.

All costs of the proposal preparation are the responsibility of the applicant. Federal regulations do not allow an applicant to be reimbursed for expenses incurred prior to execution of the written agreement. The City and/or the Consortium shall not, in any event, be liable for pre-contractual expenses incurred by the applicant in the preparation and/or submission of the proposal.

Applicants should allow 30 days for initial staff review and 30-60 days for a preliminary funding decision.

## **APPLICATION INSTRUCTIONS:**

- Please read all questions and instructions carefully. The care that goes into accurately and informatively completing this application is evidence of your agency's ability to manage the complexities of the HOME & HOME-ARP program requirements.
- Proposals should be submitted in a reproducible format. Emailed application materials should be in an Adobe PDF format.
- Narrative responses should be double-spaced in a typeface no smaller than 11 point and on 8 ½ X 11 pages and shall not exceed 10 pages (excluding attachments). Complete and attach the certifications re: Lobbying and Section 3 requirements.
- Agencies and organizations that are working together to provide supportive housing services in rental housing should submit one application, identifying a primary or lead agency. The parties should clearly identify the responsibilities of each agency throughout the application.
- Proposals may be hand delivered or emailed to:

*Email:*

[bedessemk@janesvillewi.gov](mailto:bedessemk@janesvillewi.gov)  
cc: [petruzzelloj@janesvillewi.gov](mailto:petruzzelloj@janesvillewi.gov)

\*Must be in Adobe PDF format

*Personal Delivery: UPS, Fed Ex, Airborne:*

City of Janesville  
Housing Services Division  
HOME/HOME-ARP Submission  
18 North Jackson Street, 1st Floor  
Janesville, WI 53548

Please note that normal business hours are Monday, Tuesday, and Thursday, 8:00 AM to 4:30 PM and Wednesday and Friday, 8:00 AM to 12:00 PM.

- Email submissions should note HOME HOME-ARP Submission in the subject line. Hand delivered submissions should be sealed and show the following information on the outside of the package: HOME/HOME-ARP Submission.

## **OVERVIEW OF HOME PROGRAM REQUIREMENTS:**

**Applicants are strongly encouraged to fully review the HOME program regulations in [eCFR :: 24 CFR Part 92 -- Home Investment Partnerships Program](#).**

The information provided in this Request for Proposal is intended to provide an overview of primary program components and requirements. Additional requirements are identified within the HOME Final Rule ([HOME Final Rule - HUD Exchange](#))

### ***General Eligibility Requirements:***

- At least 90% of benefiting families must have incomes that are no more than 60% of the HUD-adjusted median family income for the area.
- In projects with five or more assisted units, at least 20% of the units must be occupied by families with incomes that do not exceed 50% of the HUD-adjusted median.

**Limits:**

- Maximum per unit subsidy limits, rent limits and Income limits may not exceed the limits published on HUD's Affordable Housing website: <https://www.hudexchange.info/programs/home/home-income-limits/>
- Affordability requirements as defined in 24 CFR 92.252(d)(4) and periods of affordability are in effect as defined below:

HOME Activity	HOME Investment per Unit	Length of Affordability Period
<b>Rehabilitation of existing housing</b>	<b>Under \$25,000</b>	<b>5 Years</b>
	<b>\$25,000 to \$50,000</b>	<b>10 Years</b>
	<b>Over \$50,000 or rehab Involving refinancing</b>	<b>15 Years</b>
<b>New Construction of Rental Housing</b>	<b>Any</b>	<b>20 Years</b>

- The Developer shall comply with all income determinations and affordability requirements of the HOME Program as set forth in HUD regulations 24 CFR 92.203 or 92.254, as applicable. The Developer shall determine each family's income eligibility by determining the family's annual income in accordance with the Part 5 (Section 8) methodology allowed in 24 CFR 92.203.

**Match:**

- The Developer will make good faith efforts to identify and include all eligible sources of match contributed to this project and agrees to provide an accounting and supporting documentation for all eligible HOME match resources used in this HOME assisted activity. Guidance on eligible sources can be found at 24CFR 92.220

**OVERVIEW OF HOME-ARP PROGRAM REQUIREMENTS:**

Applicants are strongly encouraged to fully review CPD Notice 21-10: Requirements for the Use of Funds in the HOME-ARP Program found here: [Final HOME-ARP Implementation Notice \(hud.gov\)](#) and HOME program regulations in [eCFR :: 24 CFR Part 92 -- Home Investment Partnerships Program](#). Except as described in CPD Notice 21-10, HOME statutory and regulatory provisions apply to the use of HOME-ARP funds.

The information provided in this Request for Proposal is intended to provide an overview of primary program components and requirements. Additional requirements are identified with CPD Notice 21-10 and 24 CFR Part 92.

***Qualifying Populations, Targeting and Preference:***

- HOME-ARP requires that funds be used primarily to benefit individuals and families that meet the HUD definition of qualified populations. Please refer to: [Final HOME- ARP Implementation Notice \(hud.gov\)](#), Section IV, A for the definitions of the qualified populations. The Consortium has elected not to prioritize any one of the qualifying populations over the others.
- At least 70% of affordable rental housing units acquired, rehabilitated, or constructed with HOME-ARP Funds must be occupied by households in a qualifying population(s). Units not restricted to a qualifying population are subject to income targeting for individuals with low-income levels and HOME-ARP rent requirements.
- All supportive services must be provided to individuals who meet a qualifying population definition and who are NOT already receiving these services through another program.
- The Consortium has elected not to fund Tenant-Based Rental Assistance (TBRA) or non-congregate shelter with HOME-ARP funding.
- All fair housing, civil rights, and nondiscrimination requirements, including but not limited to those requirements listed in 24 CFR 5.105(a) must be followed. HOME-ARP rental housing may be limited to a specific subpopulation of a qualifying population identified in Section IV.A. of CPD Notice 21-10, so long as admission does not discriminate against any protected class under federal nondiscrimination laws in 24 CFR 5.105 (e.g., the housing may be limited to homeless households and at risk of homelessness households, veterans and their families, victims of domestic violence, dating violence, sexual assault, stalking or human trafficking and their families).

***Eligible Activities:***

Among the HOME-ARP Eligible Activities, the Consortium has prioritized rental housing and supportive services, and will only be accepting applications for these activities.

Please refer to: [Final HOME-ARP Implementation Notice \(hud.gov\)](#), Section VI, B for description of HOME-ARP Rental Housing requirements.

Please refer to: [Final HOME-ARP Implementation Notice \(hud.gov\)](#), Section VI, D for description of HOME-ARP supportive service requirements.

## **OTHER FEDERAL REQUIREMENTS:**

- **Affirmative Marketing and Minority Outreach:** The requirements in 24 CFR 92.351 are applicable.
- **Conflicts of Interest:** The requirements regarding conflicts subject to procurement regulations at: 2 CFR 200.317 and 2 CFR 200.318(c) are applicable. No person who is an employee, agent, consultant, officer, or elected or appointed official of the City of Janesville or contractor and who exercises or has exercised any functions or responsibilities with respect to assisted activities, or who is in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from the activity, or have a financial interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for themselves or for those with whom they have immediate family or business ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.
- **Environmental Review (ER):** The City is required to undertake an environmental review process for all HUD-assisted projects to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users. An ER is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local environmental standards. The City will complete the ER prior to the Developer closing on the purchase of the property. The Developer shall not expend any funds (HOME or otherwise) for the activities defined in the Agreement until the environmental review has been completed.
- **Fiscal Management:** Agencies receiving funding are required to comply with federal uniform administrative requirements regarding fiscal management including financial reporting, record keeping, accounting systems, payment procedures, procurement of goods and services, conflict of interest, and audit requirements. Non-profit organizations must administer programs in compliance with 24 CFR Part 84 and 2 CFR Part 200 Subpart F, 2 CFR Part 230. Public agencies must administer programs in compliance with 24 CFR Part 85 and 2 CFR Part 225
- **Generally Applicable Definitions and Requirements:** Contractors must comply with the generally applicable U.S. Department of Housing and Urban Development (HUD) and Community Planning and Development (CPD) requirements in 24 CFR Part 5, subpart A, including all applicable nondiscrimination and equal opportunity and civil rights requirements.
- **Insurance Requirements:** Agencies receiving funding are required to provide proof of general liability insurance coverage. If services provided under the contract are provided by a licensed professional, then professional liability insurance will also be required. In addition, if driving is within the scope of services provided under the contract, then automobile insurance will also be required. Worker's Compensation Insurance is also required.

- **Labor Standards:** The requirements in 24 CFR 92.354 apply to HOME and HOME-ARP activities. This means that Davis Bacon wage rates and standards would not be triggered in a project unless the number of HOME **assisted** units is 12 or greater. [eCFR :: 24 CFR 92.354 -- Labor](#). (i.e. a larger multi-family project would not be subject to Davis Bacon, if it included 11 or fewer HOME-ARP assisted units).
- **Lead Hazard Control Requirements:** The Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations at 24 CFR Part 35, subparts A, B, J, K, M, and R are applicable. Projects that involve rehabilitation of pre-1978 facilities, must comply with the requirements of 24 CFR part 35, Subpart J.
- **Non-Discrimination and Equal Opportunity:** Agencies receiving funding are required to comply with various federal, state and local laws that provide equal opportunity and prohibit discrimination against persons on the basis of race, color, national origin, religion, sex, age or disability. Discrimination is prohibited in the provision of services, in access to the services and to the facilities where the services are provided, and in all other aspects of administering HOME projects such as employment and procurement.
- **Section 3 Economic Opportunities for Low and Very Low-Income Persons:** Section 3 requirements established at 24 CFR Part 75 apply to HOME and HOME-ARP-assisted projects. Section 3 of the Housing and Urban Development Act of 1968 (Section 3), 12 U.S.C. 1701u, and the HUD regulations at 24 CFR Part 75, ensure, to the greatest extent feasible, that training, employment, contracting and other economic opportunities be directed to persons with low- and very low-income levels, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to people with low-and very low-income levels where a proposed project is located. The contractor will make best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers and will include language in any contract or agreement to apply these Section 3 requirements to contractors and subcontractors. The selected contractor will work with the City of Janesville to review the requirements of this regulation to determine specific efforts that will be taken to support Section 3 goals.
- **Suspension and Debarment.** The government-wide debarment and suspension regulations in 2 CFR Part 180 apply as incorporated and supplemented by HUD's implementing regulations in 2 CFR Part 2424. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

- **Uniform Relocation Assistance:** The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and section 104(d) of the Housing and Community Development Act of 1974, in addition to the Displacement, Relocation and Acquisition regulatory requirements of 24 CFR 92.353 are applicable.
- **Other Federal Requirements:** Funding recipients must comply with all other requirements set forth in 24 CFR 570 and in grant contracts. Federal regulations are available online at [eCFR :: Home](#) and OMB circulars are available online at [Circulars | OMB | The White House](#). Please refer to: [Final HOME-ARP Implementation Notice \(hud.gov\)](#), Section VII, for a listing of other federal requirements.

## **EVALUATION CRITERIA:**

**Threshold evaluation:** The City and/or the Consortium will perform a threshold evaluation and technical review of the applications. Applications will be evaluated for compliance with HOME and HOME-ARP requirements and to ensure they meet a priority activity identified in this RFP. Incomplete applications and applications that do not comply with HOME or HOME-ARP regulations or funding priorities will not be considered. Proposals will be rejected from any party (as an individual or part of an entity) who is presently debarred, suspended, or proposed for debarment from participation in federal contracts.

**Full evaluation:** Each proposal meeting the threshold criteria will be further evaluated based upon the following criteria and using the weighting and maximum points described:

- **Project Description & Soundness (20 pts.)** - Consideration will be given to how well the proposed project is designed to provide permanent affordable rental housing and supportive services for individuals with low income levels and/or those experiencing homelessness or other vulnerable populations; how well the project will serve individuals within a qualifying population; the organization's understanding of the development process and ability to timely move forward to undertake and complete the project; and the project's ability to be sustainable.
- **Project Need and Benefit (10 pts.)** – Consideration will be given to how well the proposed project will address identified community needs; will meet the high priority need for affordable rental housing and supportive services; will identify and provide specific outputs and will achieve favorable outcomes for individuals with low-income levels and/or those experiencing homelessness or other vulnerable populations.
- **Organizational Experience & Capacity (25 pts)** – Consideration will be given to an organization's experience in administering similar projects, including those with federal, state or local housing funds; the applicable experience of the staff who will be directly working on this project, and capacity of the organization to successfully undertake and manage the proposed project. Consideration will also be given to the strength of the organization's administrative capacity and commitment to culturally competent service delivery.

- Financial Feasibility of Project (25 pts.) – Consideration will be given to the cost-effective provision of the project and/or services; the reasonableness of the project cost; the organization’s ability to leverage HOME and HOME-ARP funds for greater project impact; and the organization’s ability to provide matching funds to the project.
- Community Collaboration (10 pts.) – Consideration will be given to the strength of community collaborations to assist individuals experiencing homelessness and other vulnerable populations.
- Small businesses, minority businesses, women’s business enterprises, veteran-owned businesses, and labor surplus area firms (5 pts.) - The City is committed to making positive efforts to utilize these businesses as sources of supplies and services. The applicant should indicate if they identify as such business/es and comment on efforts they would undertake to encourage the use of such businesses.
- Economic Opportunities for Low- and Very Low-Income Persons in connection with Assisted Projects (Section 3) (5 pts.) - Section 3 of the Housing and Urban Development Act of 1968 (Section 3), 12 U.S.C. 1701u, and the HUD regulations at 24 CFR Part 75, ensure, to the greatest extent feasible, that training, employment, contracting and other economic opportunities be directed to persons with low- and very low-income levels, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to people with low-and very low-income levels where a proposed project is located. The contractor will make best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers and will include language in any contract or agreement to apply these Section 3 requirements to contractors and subcontractors. The applicant should indicate if they are a Section 3 business concern and/or comment on specific efforts they would undertake to encourage the use of such businesses. Please see attached Section 3 Plan for additional information.

In addition to the above, the City will also evaluate the proposal for consistency with the Rock County HOME Consortium HOME Underwriting and Subsidy Layering Guidelines. Please see attached and consider these guidelines when preparing your proposal.

**CITY OF JANESVILLE & ROCK COUNTY HOME CONSORTIUM**

Application for HOME and HOME-ARP Funding

**I. APPLICATION COVER SHEET**

Project Title: _____	
Contact Information:	
Legal Name of Applicant: _____	
Federal Unique Entity Identifier #: _____	
Primary Contact Name/Title: _____	
Phone: _____ E-mail: _____	
Co-Applicant: _____	
Federal Unique Entity Identifier #: _____	
Primary Contact Name/Title: _____	
Phone: _____ E-mail: _____	
Project Location:	
Project Address (if known): _____	
Project Activity (Check <u>all</u> that apply):	
<input type="checkbox"/> Affordable Rental Housing Development <input type="checkbox"/> Supportive Services	
<b>Budget &amp; Service Levels:</b>	
HOME Funding Requested for Affordable Rental Housing Development	_____
HOME-ARP Funding Requested for Affordable Rental Housing Development	_____
HOME-ARP Funding Requested for Supportive Services	_____
Another Project Funding	_____
Total Project Budget	_____
# of Affordable HOME Units Provided	_____
# of Affordable HOME-ARP Units Provided	_____
# of Total Affordable Rental Units Provided	_____
# of Individuals Provided with Supportive Services	_____
<p>CERTIFICATION and AUTHORIZED SIGNATURE: To the best of my knowledge and belief, the information contained in this application, and in the additional required documentation submitted with this application, is true and correct. The submission of this application has been duly authorized by the governing body of the Applicant. The Applicant agrees that if the project is allocated funding, it will comply with all federal, state, and local statutes, regulations, policies, and requirements applicable to the HOME and HOME Programs.</p>	
Signature of Authorized Applicant Representative _____	Date _____
Name and Title of Authorized Applicant Representative _____	
(Please Print or Type)	

## II. THRESHOLD AND ELIGIBILITY

Answer each question fully but concisely.

1. **Provide a brief summary of the proposed project, including a general statement of the project's overall purpose. (5-line maximum)**

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2. **What priority need does the proposed project seek to address? (Check all that apply)**

- Affordable Rental Housing Development
- Supportive Services
  - Child Care
  - Education Services
  - Employment Services/Job Training
  - Food
  - Housing Search/Counseling
  - Legal Services
  - Life Skills Training
  - Mental Health Services
  - Outpatient Health Services
  - Outreach Services
  - Substance Abuse Treatment Services
  - Transportation
  - Case Management
  - Mediation
  - Credit Repair
  - Landlord/Tenant Liaison
  - Services for Special Populations
  - Financial Assistance Costs
  - Other (specify): \_\_\_\_\_

3. **What qualified population would be served through your proposed project? (Check all that apply)**

- Those who have income levels less than 60% of the HUD-adjusted median family income,
- Those who have income levels less than 50% of the HUD-adjusted median family income,
- Those who are homeless (McKinney Act definition at 24 CFR 91.5),
- Those who are at-risk of homelessness (McKinney Act definition at 24 CFR 91.5,
- Those who are fleeing/attempting to flee domestic violence, dating violence, sexual assault, stalking or human trafficking (Definitions from VAWA at 24 CFR 5.2003, except Human Trafficking definition from Trafficking Victims Protection Act of 2000); and
- Other populations where assistance would prevent the family's homelessness or serve those with the greatest risk of housing instability.

### III. PROJECT DESCRIPTION & SOUNDNESS (20 pts.)

#### 1. Provide a detailed description of your project.

Provide a detailed description of your project.

Describe the physical characteristics of any proposed rental development, including, but not limited to building type, unit count by bedroom size, unit sizes and amenities. Identify whether the project will include acquisition, demolition, rehabilitation and/or new development. Clearly identify unit composition for HOME and HOME-ARP units. Describe the length of time the proposed project will provide long-term affordable housing and what mechanisms will ensure this. Describe anticipated monthly rent amounts and the basis for future rent levels.

Identify the scope of supportive services to be provided (type, frequency) and the agency or agencies that will provide the services, and any proposed partnership agreements.

Define and describe the project's location and area served, including nearby amenities desirable for affordable housing (census tract, address, proximity to amenities, etc.).

Describe the ongoing property management plan. Will the applicant provide ongoing operations or enter into a management contract? Provide information regarding the project's lease up plan and background of staff who will provide general property management following construction.

#### 2. Provide a detailed description of the population to be served.

Identify the number of individuals and households to be served with HOME and HOME-ARP funding. Include a statement of which qualifying population or populations will be served and an estimated number of individuals served within each category. Identify whether your project will prioritize or target a select group of individuals within the qualifying population. If your project seeks to prioritize individuals for participation, provide data as to why you believe they have a greater need and/or should be prioritized over other groups. Provide this data separately for rental housing and supportive services.

If the project leverages additional financial resources, identify the total number of individuals and households to be served. Indicate whether these individuals will also meet the definition of a qualifying population or populations or will be subject to income limits.

Describe the process in which the project will select individuals or households to be assisted.

#### 3. Provide a detailed project schedule.

Provide a narrative and timetable that describes the status of the project and future steps to implement this project. Include applicable milestones such as site control, other financing commitments, plan development and review, site acquisition, relocation and/or demolition commencement, rehabilitation or construction commencement and completion, lease up commencement and completion, etc. The schedule should also note the desired timing and amounts for funding requests.

4. **Explain how the project will be sustainable.** Explain how the project will remain financially sustainable after HOME and HOME-ARP funds are exhausted.

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#### IV. PROJECT NEED & BENEFIT (10 pts.)

**1. Describe the need for this project and how it will address that need.**

Identify the current need for the project in the community in the context of the HOME and HOME-ARP priorities. Provide current local statistics, agency statistics or other evidence to document the needs and gaps. If a market study has been completed, provide a copy of the study. (Note: a market study will be required for any project receiving funding prior to execution of a final funding agreement). Describe any gaps in service and the related need for the services proposed. Describe how this project will provide homelessness assistance and assistance to other vulnerable populations and how the proposed project/services will meet individual and/or community needs.

**2. Identify other community services address the address the identified need.**

Identify other services in the community that fill or address this need. Explain how the project's scope will not exceed or duplicate current services.

**3. Describe the specific output goals for the proposed project.**

A. **Persons Served**. Indicate the number of unduplicated households and persons to be assisted in total and the number to be assisted with HOME and HOME-ARP funds requested. Unduplicated means that each household and person served by the project is counted only once during the program year.

B. **Service Units**. Identify and define each service unit(s) to be provided in total and the number provided with HOME and HOME-ARP funds. For example, how many housing units will be provided or how many individuals will receive supportive services and what will those services entail?

**4. Describe the specific outcome goals for the proposed project and how the outcomes will be achieved.**

Applicants must identify at least one and no more than three measurable outcomes for the proposed project. Identify the desired project outcome. Outcomes are the benefits or impacts that result from the project or services provided. Outcomes measure a change in knowledge, attitude, skills, behavior, conditions, or status in the persons served. Examples: obtain, maintain, or improve housing stability; reduce barriers to employment and self-sufficiency; reduce or eliminate emergency need; etc.

## V. ORGANIZATIONAL EXPERIENCE & CAPACITY (25 pts.)

**1. Describe your organization's experience in managing similar projects.**

Provide a general overview of the organization, including services provided and years of operation. Identify your agency or organization's specific qualifications to accomplish the project outlined in this proposal. At a minimum, list specific projects similar or relevant to the project within the past 5 years. Highlight experience serving the qualified population intended to be served by this project. For each project, provide the project name, description, date, outcomes and contact information for references that could comment on the quality of the project.

**2. Describe your organization's experience in managing publicly funded projects.**

Describe any specific experience your organization has in the administration of federal, state, and local government funds. Please highlight any experience your organization has had in administering funding provided by the U.S. Department of Housing and Urban Development, including HOME funding.

**3. Describe the qualifications of the individuals who will be involved on this project.**

Identify the personnel who would be assigned to work on the project, their roles/responsibilities with respect to the project and their qualifications, including experience with similar or related projects. For each individual, note years of experience and the number of years that individual has been in the field, and with the agency.

**4. Describe your organization's capacity to deliver.**

Describe the staff capacity in place to deliver and complete the project within the identified timeline. Identify additional projects or anticipated projects that will be occurring during this project's timeframe and describe how these projects will be completed simultaneously. If you have current agreements in place, indicate if they are progressing timely and in accordance with the project timelines and period of performance. If not, explain barriers experienced.

**5. Describe your organization's fiscal management including financial reporting, record keeping and accounting systems.**

Describe any experiences you have in reporting, monitoring, and/or record-keeping compliance related to the HOME or HOME-ARP programs or other federally funded programs. Indicate the results of any monitoring of programs occurring over the past five years, including any findings and the resolution of those findings. Please describe any financial auditing concerns or findings occurring over the past five years and the resolution of those items. Describe the process for collecting income and beneficiary data and ensuring ongoing program compliance.

**6. Describe your organization's written policies.**

Indicate whether your organization has written personnel policies, conflict of interest policies, financial policies, and procurement policies. If your organization has an affirmative marketing plan, please include it as an attachment.

**7. Describe your organizational philosophy.**

Describe your corporate/organizational philosophy on affordable housing, fair housing and diversity, equity, and inclusion.

**8. Describe how your organization will ensure that project services are provided in a culturally competent and linguistically accessible manner?**

Explain your agency's commitment to and ability to provide services that are culturally competent and linguistically accessible. Include a description of how the project's service design and delivery provide for the cultural and linguistic needs of project clients. Describe the training and policy guidance provided to board members and staff regarding cultural competence and language barriers.

## VI. FINANCIAL FEASIBILITY (25 pts.)

### 1. Provide a detailed project budget.

Provide a detailed project budget, including a detailed Sources and Uses Analysis, listing all revenue sources and expenses. List all funding sources and indicate the amount of funding that will be applied to the proposed project for each funding source. The proposed budget should include an itemized listing of construction costs, soft costs, developer's fee, and supportive services, if any. Note the basis of the expenditure figures (i.e., engineering estimate, similar project experience, etc.). Identify how HOME and HOME-ARP funds would be used to offset project expenses.

### 2. Will the proposed project leverage additional resources?

A project is not required to leverage additional resources; however, it is strongly encouraged as a way of maximizing project impact and will result in more favorable scoring. List the source and amount of funds to be leveraged with HOME-ARP funding for this project on the Budget Summary for each year of funding requested. Identify which of those funds have been secured, applied for, or are anticipated to be applied for in the future. If you have firm commitments for financing, include commitment/award letters(s) from the source of financing. If an organization has applied for additional funding or intends to do so, include an anticipated date for funding decisions.

### 3. How will the project provide affordable housing match?

A 25% match on HOME funding is desired and no match is required for HOME-ARP funding. Applicants are encouraged to demonstrate match as a way of maximizing project impact and the ability to meet match goals will result in more favorable scoring. Matching funds may include non-federal funding sources or donated labor that will become a permanent contribution to affordable housing. See [CPD 97-03 \(hud.gov\)](https://www.hud.gov/CPD/97-03) for more information on eligible sources of match. (24 CFR 92.220)

### 4. Calculate and provide the HOME-ARP cost per unit for affordable housing and cost per individual for supportive services.

Calculate and provide the HOME and HOME-ARP cost per unit for affordable housing and cost per individual for supportive services. As noted above, a project is not required to leverage additional resources; however, it is strongly encouraged as a way of maximizing project impact and will result in more favorable scoring.

### 5. Will the project result in increased tax base?

Indicate whether the project will be taxable and if so, estimate the anticipated fair market of the property for residential property tax purposes.

**6. Describe the impact of a reduced funding award.**

Due to the limited availability of resources, it is often necessary to fund proposed projects at levels below the levels requested. If the proposed project is funded at a level lower than requested, at what amount of funding can the organization still deliver a meaningful project/service? Describe the impact to the project of a reduced funding level (i.e., will it reduce the number of units/services provided, impact project amenities, etc.).

**VII. COMMUNITY COLLABORATION (10 pts.)**

- 1. Indicate whether you currently participate in the Homeless Intervention Task Force or another related organization that aims to provide services to individuals with low- income levels and/or the homeless population or prevent homelessness.**

List the committees, groups, or meetings in which your organization participates. Briefly describe your participation in the past year.

- 2. Describe how you will collaborate with other agencies and/or service providers to assist individuals experiencing homelessness and other vulnerable populations.**

List organizations that you intend to collaborate with to support individuals assisted through the proposed project. Describe how your agency will collaborate with the other agencies and programs and describe how these collaborations will enhance the project to assist individuals experiencing homelessness and other vulnerable populations and lead to improved outcomes for these individuals. Include letters of support and/or partnership agreements from other agencies you intend to work with on this project.

- 3. Describe your preferred referral method.**

Describe your marketing and lease up plans and outreach efforts. Describe your preferred referral method and other methods that the organization will accept. Referral methods could include those coming from the Continuum of Care coordinated entry process, use of the coordinated entry process in addition to referrals from other outside organizations, or project specific waiting list. Describe who will determine and document that beneficiaries meet the definition of a qualifying populations.

**VIII. SMALL BUSINESS, MINORITY BUSINESS, WOMEN'S BUSINESS ENTERPRISES, VETERAN OWNED BUSINESS, AND LABOR SURPLUS AREA FIRMS (5 pts.)**

- 1. Identify whether your organization is a small business, minority business, women's business enterprises, veteran-owned business, and/or labor surplus area firms.**

Identify your status and describe efforts you would undertake to encourage the use of such businesses.

**VIII. SECTION 3 BUSINESSES (5 pts.)**

- 1. Identify whether your organization is a Section 3 business Concern.**

Identify your Section 3 business status and describe efforts you would undertake to encourage the use of such businesses and provide economic opportunities for individuals with low-income levels. Complete the attached Certification Regarding Economic

Opportunities for Persons with Low- and Very Low-Income Levels in Connection with Assisted Projects (Section 3)

**Rock County Home Consortium  
Certification Regarding Lobbying for Contracts, Grants, Loans, and  
Cooperative Agreements**

Pursuant to 24 CFR part 87, Appendix A

The undersigned certifies, to the best of their knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

<hr style="border: none; border-top: 1px solid black; margin-bottom: 10px;"/> <p style="text-align: right; margin-right: 100px;">Date</p> <p>Signature of Authorized Applicant Representative</p>
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Name and Title of Authorized Applicant Representative  
(Please Print or Type)

**Rock County Home Consortium  
Certification Regarding Economic Opportunities  
for Individuals with Low- and Very Low-Income Levels in Connection with  
Assisted Projects (Section 3)**

Name of Business \_\_\_\_\_

Address of Business \_\_\_\_\_

Contact Person \_\_\_\_\_ Title \_\_\_\_\_ Primary

Phone #: \_\_\_\_\_ Email address: \_\_\_\_\_

Type of Business:  Corporation       Partnership       Sole Proprietorship       Joint Venture

The Business Concern certifies that it is a Section 3 Business Concern based on:

\_\_\_\_\_ At least 51 percent of the business is owned and controlled by low- or very low-income persons or

\_\_\_\_\_ At least 51 percent of the business is owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing; or

\_\_\_\_\_ Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers.

Provide a list of all current full-time employees, a list of employees claiming Section 3 status, and signed certifications for employees claiming Section 3 status.

Provide copy of resident lease, evidence of participation in a public assistance program, receipt of public assistance, or signed certification for Section 3 resident

Additional information may be required at the time the RFQ/RFP/IFB is distributed. This information may include, but is not limited to: current financial statement, list of all contracts for the past two years (with contact information) copy of articles of incorporation, certificate of good standing, assumed business name certificate, partnership agreement, list of owners/stockholders with % ownership of each, corporation annual report, latest board minutes appointing officers, organization chart with names and titles and brief function statement.

The City of Janesville cooperates with the City of Beloit and Rock County in our goal of expanding economic opportunities for low and very-low income persons. Please check here  if you would like us to share this information. Sharing this information means that you would be contacted when contracting opportunities are available in their jurisdictions.

I hereby certify that the information provided by me to be true and correct, and understand any falsification of any of the information could subject me to disqualification from participation and punishment under the law.

\_\_\_\_\_  
Signature and Name of Authorized Applicant Representative

\_\_\_\_\_  
Date

**Rock County HOME Consortium  
HOME Underwriting and  
Subsidy Layering Guidelines**

**June 2025**

## Introduction

The Janesville HOME Consortium (the Consortium) supports the rehabilitation and new construction of affordable rental housing for low-, very low-, and extremely low-income households with its annual funding allocations from the U.S. Department of Housing and Urban Development's (HUD) HOME Investment Partnership Program (HOME). HOME was created under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 with implementing regulations at 24 CFR Part 92, as amended. The Federal Assistance regulations, as amended, require the Consortium to conduct underwriting and subsidy layering reviews of each project prior to committing Federal Assistance. The Federal Assistance regulations also identify minimum elements the Consortium must consider and require the Consortium to establish specific guidelines for evaluating projects.

Underwriting is more than a technical requirement, and the term itself is used in several different ways. Depending on the context, underwriting is sometimes used in a limited fashion to refer primarily to the financial review of a potential transaction. Other times, the term underwriting is narrowly understood as a check the box set of static technical reviews resulting in a determination that a project does or does not meet a certain formula. In both cases, these uses of the term are too limited.

In practice, underwriting is a reflexive process. Every project involves risk, and even the best project can fail due to unforeseen factors. The goal of underwriting is to both identify and mitigate risk across a series of perspectives. In other words, the underwriting process is not an up or down review, but it often changes the project itself by imposing requirements to improve viability.

In this sense, the Consortium's approach to underwriting is informed not only by traditional lending perspectives and minimum requirements of the Federal Assistance, but a holistic approach to balancing the various risks inherent in any real estate transaction and the public purposes the Consortium seeks to support –producing safe, decent, affordable housing that will be an enduring community resource.

For the purpose of these guidelines, Consortium may refer to the Rock County HOME Consortium Participating Jurisdiction, or may refer to any of its administrative members (City of Janesville, City of Beloit, Rock County) as it relates to the administration of a HOME rental project within their respective jurisdictions. These guidelines shall apply on a Consortium-wide basis; however, each administrative member will undertake the underwriting and subsidy review for projects that are located within their jurisdiction. In addition, each administrative member may have additional requirements. In the case of conflicting requirements, the most restrictive would apply.

## Underwriting Overview

In reviewing applications for Federal Assistance, as required by 24 CFR §92.250(b) and prudent business practices, the Consortium's underwriting framework includes, but is not limited to, evaluations of:

- **Regulatory requirements** applicable to the project, including whether the

owner/developer has the ability to ensure compliance with affordability period restrictions, property standards, and cross-cutting federal requirements that will be incorporated within the HOME Agreement;

- **Market risk**, including whether sufficient demand exists for the project, the anticipated lease-up period, and whether general economic conditions and other competition supports ongoing viability;
- **Developer risk**, focusing on whether the owner/developer (including but not limited to the underlying owners of special-purpose and/or single-purpose entities) has/have the technical capacity to develop and operate the project and the financial capacity to safeguard public Consortiums and backstop the project in the event of poor financial performance; and
- **Project risk** (or financial underwriting), testing the economic and financial projections for the transaction including both sources and uses as well as ongoing operating assumptions. This includes confirmation that all sources of project financing are available, commercially reasonable, and have been appropriately maximized prior to awarding Federal Assistance.

In addition to the above, the Consortium will, at a minimum, also perform a collateral evaluation and assess environmental conditions to determine that the proposed project is suitable and viable for a project requesting Federal Assistance.

### Market Assessment

All Federal Assistance project applications must include a market study prepared by a third-party, except as outlined below. Market studies must be less than six months old at the time of application for Federal Assistance. The Consortium reserves the right to request an updated market study, if required. Proposed rent levels must be supported by the applicant's market study and be within regulatory limits.

Additionally, the market study should demonstrate the following:

- All units, including any market rate units as well as any units with income/rent restrictions imposed by other programs such as LIHTC, must demonstrate viability within the primary market area considering any known rent concessions being offered by competing properties;
- Achievable occupancy rates, based on a comparison of comparable properties in the primary market area, must be at or above 95% (physical occupancy); and
- Capture and absorption rates must be realistic and achievable.

For projects not meeting these standards, the Consortium, in its sole discretion, may also consider the following:

- For projects targeting special needs populations (e.g., homeless households, domestic violence victims, veterans, or other specific subpopulations), the Consortium may accept higher capture rates if data from the local Continuum of Care and/or service providers specializing in the targeted populations (e.g., VA service centers) suggests an adequate pipeline of eligible renters exists and will be consistently referred to the development.

- For existing projects being rehabilitated, the Consortium will consider the recent operating history of the project in terms of actual rents charged/received, eligibility of in-place tenants, and the like for evidence that the development's projections are supported by actual performance.

## Developer and Development Team

### Developer Technical/Professional Capacity

In evaluating the capacity of the developer, the Consortium will use the term to refer collectively to the underlying corporate entities and individuals that will own and control the single-purpose entity (excluding the investor member/limited partner), if applicable. Additionally, and as necessary, the Consortium will require various guarantees and indemnities from all the underlying corporate and/or individual owners of the various limited partnership or limited liability corporation entities involved in the ownership and development of the project.

Developers should demonstrate:

- Recent, ongoing, and successful experience with the development of similarly regulated and similarly sized affordable housing; and
- The presence of adequate staff, with specific experience appropriate to their roles in the project, to successfully implement and oversee the project. This includes the assembly and oversight of the development team.

The Consortium requires applicants to provide lists of real estate owned (including partnership/membership interests) by the developer as well as all projects underway. The Consortium may review the performance of those projects, including financial factors like net occupancy, actual debt coverage ratio (DCR), cash flow received, outstanding loan balances, net equity of individual projects, and the developer's overall portfolio.

Applicants may be required to provide descriptions of the role played by specific staff members relative to the proposed project along with resumes or other similar information demonstrating experience appropriate to the assigned staff member's role. Applicants may also be required to provide descriptions of Fair Housing Education provided to staff members.

### Financial Capacity

Developers must demonstrate the financial capacity to support the proposed project during construction, lease-up, and during ongoing operations throughout the period of affordability. In addition, the developer must demonstrate that it has adequate financial systems in place to appropriately manage project funds, accurately account for all project costs, and provide reliable reporting to the Consortium and other project funding sources.

At minimum, and as applicable, the Consortium will review audited financial statements, contingent liabilities, interim financial statements, and individual personal financial statements to ensure that:

- The primary development entity's most recent audit demonstrates compliance with

Generally Accepted Accounting Principles (GAAP) and does not express material weaknesses in the entity's system of internal controls or financial management systems; and

- Financial ratios and trending are acceptable.

### Development Team

The Consortium will also review the capacity of the development team including, but not limited to, the general contractor, architect, engineer, market analyst, management company, accountant, attorney, and any other specialized professionals or consultants, as applicable.

The development team should have the skills and expertise necessary to successfully complete and operate the development. Inasmuch as possible, on balance the development team should have worked successfully on other projects in the past. That is, while a developer may identify new development team members from project to project, an entirely new team may present added risk.

In no case, may any owner/developer/applicant or any member of the development team be a suspended, debarred, or otherwise excluded party.

### Identity of Interest Relationships & Costs

Applicants must disclose all identity of interest relationships/contracts and/or costs involved in a transaction, including during the development period and following completion of the project. The Consortium reserves the right to review any such costs further to ensure they are reasonable and consistent with the costs expected from arms-length relationships.

An Identity of Interest (whether such term is capitalized) is any relationship based on family ties or financial interests between or among two or more entities involved in a project-related transaction which reasonably could give rise to a presumption that the entities may not operate at arms-length. The Consortium will take a broad approach to defining identities of interest and expects all applicants to err on the side of disclosure. That is, if there is any question about whether an identity of interest may exist, the relationship should be disclosed and explained to the Consortium.

Beyond this general definition, an identity of interest relationship will be deemed to exist if:

1. An entity, or any owner of any direct or indirect ownership interest in such entity, or any family member of any such owner is also an owner, through a direct or indirect ownership interest, or an officer, director, stockholder, partner, trustee, manager, or member of the counterparty; or
2. Any officer, director, stockholder, partner, trustee, manager, member, principal staff, contract employee or consultant of an entity, or any family member of thereof, is an owner, through any direct or indirect ownership interest, or an officer, director, stockholder, partner, trustee, manager, or member of the counterparty.

For purposes of this definition, family member means the spouse, parents or stepparents, children or stepchildren, grandparents or step-grandparents, grandchildren or step-

grandchildren, aunts, uncles, parents-in-law, and siblings-in-law (or their children or stepchildren). It also includes any other similar relationship established by operation of law, including but limited not to guardianship, adoption, foster parents, domestic partnerships, and the like.

### Financial Analysis

The review of the underlying financial assumptions is a critical and core part of underwriting. In reviewing projects, the Consortium must balance two potentially competing perspectives; project viability and cost reasonableness.

Projects must be viable; that is, they must have sufficient allowances for all costs to maximize the chances the project can meet or exceed its financial projections and thereby succeed in the marketplace. In other words, the project must represent a safe investment. However, taken to an extreme, a safe or overly conservative projection can also result in a project that is over-subsidized and risks providing excessive returns to the owner/developer.

As a steward of very limited Federal Assistance for affordable housing, the Consortium also must ensure that costs are reasonable, they represent a “good deal” to the public and returns to the owner/developer are fair but not excessive. In seeking to balance these perspectives, the Consortium has established the following review factors and principals.

### Development Costs

In general, the Consortium will review the entire project budget to confirm all costs are reasonable and the budget is sufficient to complete and sustain the project. All line items, whether paid directly with Federal Assistance, must be necessary and reasonable.

The Consortium will consider the cost of both specific line items as well as the total development cost on a per unit and per square foot basis, comparing costs to other projects from the Consortium’s portfolio and/or within the region.

### Selected Development Cost Items

**Acquisition** – Acquisition costs must be supported by an independent third-party appraisal<sup>1</sup> prepared by a state-licensed appraiser. The purchase price must be at or below the as-is market value of the property. In the event an applicant has previously purchased land prior to applying to the Consortium, the project budget may only reflect the lesser of the actual purchase price or the current as-is market value. Standard closing costs from the acquisition may be included; acquisition reimbursement is governed by Federal Assistance regulations.

Applicants who purchased property prior to applying to the Consortium, or following environmental releases under NEPA but prior to closing, may not charge or include financing costs associated with interim financing, whether from third-party or related lenders.

*Collateral Evaluation* – For all projects, whether new construction or rehabilitation, the loan to cost and loan to value ratios must be appropriate and acceptable to the Consortium<sup>1</sup>. The loan to cost shall not exceed 100% of the estimated post construction/post rehabilitation value of the project.

*Consortium Soft Costs* – The development budget for each project may include an allowance for the Consortium’s internal project-related soft costs. Similar to lender due diligence or lender legal costs, the inclusion of soft costs allows the Consortium to recoup its staff and overhead costs directly related to carrying out the project as permitted by 24 CFR 92.206(d)(6) and 24 CFR 93.201(d)(6). These costs will be included in the Federal Assistance and will be drawn directly from HUD by the Consortium rather than via payment requests from the project owner.

*Construction Interest* – Any budgeted line item for construction interest must be supported by developer- prepared cash flow projections, modeling the actual expenditure of development costs and the anticipated pay-in of equity, Federal Assistance, and other construction period sources. For projection purposes, only interest from the date of initial closing through the end of the month in which the building(s) are placed in service (i.e., approved for occupancy) may be included as construction interest. Additional interest following that date and prior to the conversion to (or closing on) permanent debt must be separately itemized and modeled. In most cases, this should be included in the lease up reserve noted in the Reserves Section.

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<sup>1</sup>. The owner/developer is responsible for expenses associated with the appraisal. Appraisals, at a minimum, will include the following values: (a) for rehabilitation projects: as-is, after-rehabilitation cost approach, and after- rehabilitation income approach; (b) for new construction projects: land value, after-construction cost approach based on plans and specifications, and after-construction income approach based on the project’s projections. The Consortium’s thorough review of an appraisal includes determination of appropriate Loan to Value and Loan to Cost limits.

**Contractor Fees** – Contractor fees are limited as a percentage of net construction costs as further identified below. Net construction costs exclude the contractor fees, any budgeted contingency, if applicable, permits (even if otherwise included in the construction contract) and builder’s risk insurance.

- **Contractor Profit:** 6% of net construction costs
- **General Requirements/General Conditions:** 6% of net construction costs. General requirements include on-site supervision, temporary or construction signs, field office expenses, temporary sheds and toilets, temporary utilities, equipment rental, clean-up costs, rubbish removal, watchmen’s wages, material inspection and tests, all of the builder’s insurance (except builder’s risk), temporary walkways, temporary fences, and other similar expenses.
- **Contractor Overhead:** 2% of net construction costs.

With prior approval of the Consortium, contractor fees may vary from the limits above provided the gross contractor fees do not exceed 14% of net construction costs.

**Contingencies** – Applicants should include a contingency (inclusive of hard and soft costs) related to the amount of risk involved with the project. The contingency will be measured as a percentage of hard costs (including the construction contract plus any separate contracts for off-site work but excluding contractor fees).

- New construction projects should include a contingency of 5% to 10% of hard costs;
- Acquisition/rehabilitation projects, including adaptive reuse projects, should include a contingency of up to 10% of hard costs; the Consortium may consider a higher contingency based on the size and complexity of the rehabilitation or adaptive reuse.

The Consortium may consider higher contingencies based on identified risk factors such as the known need for environmental remediation or poor subsurface soils.

The Consortium does not permit a contingency to be included within a property’s construction estimate or construction contract, unless such contingency is required in writing by HUD, another governmental agency, or an independent third party.

**Developer Fees** – Developer fees are intended to compensate a developer for the time and effort of assembling a project, overseeing the development team, and carrying a project to fruition. Developer fees are also intended to compensate for the risk inherent in the development process, including that not every potential project proves viable and that developers must necessarily advance Consortiums for their own operating costs and various third-party predevelopment costs prior to closing (or in some cases for projects that never proceed). Therefore, the Consortium allows the inclusion of developer fees as follows:

The WHEDA LIHTC Developer Fee Schedule published by WHEDA will be used, regardless of funding source and/or use of low-income housing tax credits.  
<https://www.wheda.com/globalassets/documents/tax-credits/htc/2025/appendices/appendix-j---developer-fee-2025.pdf>

The maximum Developer's Fee is further limited to the amount of Developer's Fee that is actually paid, or otherwise earned or recognized as income, from one unrelated individual, entity, or both to another individual, entity, or both as compensation for the work, costs and risks associated with the development of a property.

The equations used to determine the maximum amount of Developer’s Fee apply to the total of the

amounts listed in the application for Developer's Fee, and to any separately-listed Consultant's Fees or other costs relating to the development work and costs associated with the development of a property.

Additional Developer Fee information:

- "Double dipping" the Developer's Fee is not permitted. For projects requesting multiple sources from the Consortium (e.g., LIHTC and Federal Assistance), the combined Developer Fee must be within the developer fee schedule, as noted herein.
- The developer fee schedule, as noted herein, provides a calculation for the maximum allowable developer fee. The maximum allowable developer is not a guaranteed amount. During underwriting, the Consortium will determine an appropriate and acceptable developer fee.

**Reserves** – Capitalized reserves to facilitate the initial start-up and to protect the ongoing viability of the project will include the following:

- **Deficit Reserve:** The Consortium anticipates that in most cases, developments with predicted deficits during the affordability period would not be funded. However, in the event a development's long-term operating proforma projects actual cash deficits during the affordability period, an operating deficit reserve must be included in the development budget in an amount sufficient, considering any interest on reserve balances, to fully cover all predicted deficits through the affordability period.
- **Lease-Up Reserve:** A lease-up reserve intended to cover initial operating deficits following the completion of construction but prior to breakeven operations may be included. Any such reserve must be based on lease-up projections/cash-flow modeling and the lease-up (or absorption) period identified in the project's market study. In evaluating the appropriateness of any lease-up reserve, the Consortium will consider whether the development budget includes specific line items for other start-up expenses that otherwise are typically part of the ongoing operating budget for a development. This may include budgets for marketing, working capital, etc.
- **Operating Reserve:** If required by the Consortium, an operating reserve in an amount acceptable to the Consortium, anticipated to be six (6) months of underwritten operating expenses, reserve deposits, and amortizing debt service, must be included in the development budget. The operating reserve is intended as an unexpected rainy-day fund and will only be accessible after a project has achieved stabilized occupancy.
- **Replacement Reserve:** A capitalized replacement reserve may be included in the development budget. The capitalized replacement reserve should be funded at (i) an amount that realistically covers the cost of replacing covered items; and (ii) for rehabilitation projects, the amount determined by a capital needs assessment approved by the Consortium. An expensed replacement reserve, as outlined in the Operating Costs section, must be included in the development budget.
- **Preservation Reserve:** Following the completion of construction, at a minimum and if required by the Consortium, project owner shall make annual deposits and/or annual contributions of 50% of surplus cash to a preservation reserve.
- **Other:** The Consortium may consider other specialized reserves as appropriate based on unique features of the project and/or requirements of other funding sources. These may include special security reserves, supportive service reserves, or transition reserves for projects with expiring project-based rental assistance contracts, etc.

## Operating Revenues

The Consortium will review an applicant's projection of operating revenues to ensure they are reasonable and achievable both initially and throughout the affordability period. In evaluating operating revenues, the Consortium will consider the (i) project-specific market study; (ii) actual operating performance from other comparable projects including those from the applicant's existing portfolio of real-estate owned; and/or (iii) data available from comparable projects in the Consortium's portfolio and/or within the region.

For purposes of the long-term operating proforma, operating revenue projections cannot be increased by more than 2% per year. The Consortium reserves the right to stress proposals for underwriting purposes to assess the impact of lower inflationary increases, such as modeling the impact of only 1% rent increases for the first three to five years of a project's affordability period.

## Rents

All rents should be supported by the market study and within regulatory limits.

## Non-Rental Revenue

Non-rental revenue must be fully explained and conservatively estimated. In general, no more than \$60 per-unit, per-year may be budgeted in "other revenue" including that from tenant fees (such as fees for late payment of rent, nonsufficient Consortiums, laundromat fees, pet fees, interest on operating account balances, etc.). Exceptions may be considered by the Consortium based on the operating history of an acquisition/rehabilitation project, normalized operations, or other comparable properties in the same market area.

## Vacancy

Total economic vacancy includes physical vacancy (a unit is unrented), bad debt (a unit is occupied but the tenant is not paying rent), concessions (a unit has been leased for less than the budgeted rent), and loss to lease (a pre-existing lease is less than the most recently approved annual rent but will be adjusted upward at renewal).

In all cases, based on the market study or other data available to the Consortium, the Consortium reserves the right to require higher vacancy projections. This may include higher vacancy rates for small developments (e.g., less than 20 units) where standard percentage assumptions about vacancy may not be appropriate. Minimum allowances for vacancy must include:

- 3% for projects where a third-party guarantee rent assistance for a period of at least five years.
- 5% for existing properties with a vacancy rate of 5% or less in the three previous years; or
- 7%, or the minimum rate established by WHEDA for new properties, whichever is lower, for all other projects.

## Operating Costs

The Consortium will review an applicant's projection of operating expenses to ensure they are reasonable and adequate to sustain ongoing operations of the project throughout the affordability period. In evaluating a proposed operating budget, the Consortium will compare the project's costs to (i) actual operating expenses of comparable projects in the applicant's existing portfolio of real-estate owned (insomuch as possible, comparable projects will be in the same vicinity and operated by the same management company); and/or (ii) actual operating expenses of other comparable projects in the Consortium's portfolio and/or the region.

For purposes of the long-term operating proforma, operating expenses, including reserve deposits, will generally be inflated at no less than 3% per year. The Consortium reserves the right to evaluate proposals for underwriting purposes to assess the impact of higher operating cost factors, such as modeling the impact of higher inflation rates in general for specific items of cost (for example, assessing the impact of high rates of increase for insurance or development paid utility costs).

#### Selected Items of Operating Cost

*Consortium Federal Assistance Monitoring Fee* – Pursuant to 24 CFR §92.214(b)(1)(i) and §93.204(b)(1), the Consortium may assess an annual Federal Assistance Monitoring fee. The operating budget for each project must include an allowance for the Consortium’s Federal Assistance Monitoring Fee as determined by the Consortium.

*Property Management Fees* – A realistic property management fee should be included. In the event an excessive management fee is proposed, the Consortium will lower it.

*Property Taxes* – Applicants must provide detailed explanations of property tax projections and, as applicable, provide documentation that any anticipated partial or full exemptions or payments in lieu of taxes (PILOT) have been approved by the appropriate tax assessor. The Consortium, at its option, may require confirmation from the tax assessor of the applicant’s projection.

*Replacement Reserve Deposits* – Unless otherwise approved by the Consortium, the operating budget must include minimum replacement reserve deposits of: An amount equal to 0.6 percent of the cost of the total structures (for new construction projects), 0.4 percent of the cost of the initial mortgage amount (for all other projects), per <https://www.ecfr.gov/current/title-24/section-891.745>

Note: The Consortium will reserve the right within a project’s transactional documents to require periodic CNAs for all projects and to adjust ongoing replacement reserve deposits based on the results of the CNA and other factors to ensure that the replacement reserve is sufficient to address all anticipated needs for the project’s affordability period or the term of the Consortium’s loan, whichever is longer.

#### Items Payable only from Surplus Cash

Certain costs, sometimes identified by project owners as operating costs cannot be included in the operating budget and will only be payable from surplus cash (aka cash flow). These include:

- **Incentive Management Fees** payable in addition to the allowable management fees noted above, whether paid to related party or independent third-party management fees.
- **Asset Management Fees** payable to any investor, general or limited partner, or member of the ownership entity.
- **Deferred Developer Fees**
- **Operating Deficit Loan Payments** made to any related party including any investor, general or limited partner, or members of the ownership entity.
- **Other payments** to investors, general or limited partners, or members of the ownership entity, however characterized, including but not limited to negative adjustors, yield maintenance fees, etc.

### Ongoing Economic Viability

The Consortium will review the ongoing economic viability of all projects, considering long-term projections of revenues and expenses. Projects must demonstrate they can be expected to remain viable for at least the affordability period, considering trending assumptions noted above, as well as any other changes in operating revenues or expenses that can reasonably be anticipated based on other information available to the Consortium or other project funders. In particular, the Consortium will review the debt coverage ratio and operating margin as outlined below.

### Debt Coverage Ratio

Projects must demonstrate a positive debt coverage ratio (DCR) (DCR is Net Operating Income divided by amortizing debt service) through the affordability period. A DCR of 1.2 for hard debt and of 1.1 for all debt is a recommended guideline. The Consortium may choose to accept lower DCRs, however DCRs below 1.0 will not be approved.

### Operating Margin

In addition to considering the DCR, the Consortium will review the operating margin (surplus cash divided by total operating expenses and amortizing debt service). The operating margin must remain at an achievable and realistic amount.

### Other Funding Sources

Prior to committing Federal Assistance, all other funding sources necessary for a project must be identified, committed in writing, and consistent with both the Consortium's underwriting requirements and the affordability restrictions of the Federal Assistance. In general, developers must make all reasonable efforts to maximize the availability of other funding sources, including conventional mortgage debt and tax credit equity (as applicable), within commercially available and reasonable terms.

Additionally, restrictions or limitations imposed by other funding sources cannot (i) conflict with any applicable Federal Assistance requirements; and (ii) in the discretion of the Consortium, create undue risk to the Consortium.

### Senior Mortgage Debt

Any amortizing mortgage debt that will be senior to the Consortium's Federal Assistance loan must:

- Provide fixed rate financing;
- Unless otherwise approved by the Consortium, have a term equal to or more than the Federal Assistance affordability period. In practice, the date of project completion will not be the same as placed in service date for tax purposes, but for most projects will occur prior to permanent loan conversion following property stabilization. Insomuch as possible, the first mortgage should have the longest amortization period available but cannot balloon prior to the expiration of the affordability period; and
- As applicable, allow the Consortium's Federal Assistance covenant running with the land (i.e. the deed restrictions imposing the Federal Assistance affordability requirements) to be recorded senior to all other financing documents such that the Federal Assistance covenant is not extinguished in the case of foreclosure by a senior lender. Note the Consortium's Federal Assistance lien itself may be junior to USDA RD or HUD amortizing loans; only the deed restrictions must be senior, as applicable.

## Tax Credit Equity

Projections of tax credit equity must be documented by letters of intent or other similar offers to participate in the transaction by the proposed tax credit investor. Prior to committing Federal Assistance, the applicant must provide the proposed limited partnership agreement or operating agreement, as applicable, documenting the terms of the equity investment, including the pay-in schedule.

The Consortium will review proposed equity pricing and pay-in schedule against information from other projects in the region to assess whether the pricing and terms are reasonable.

## Deferred Developer Fee

It is common for projects to include deferred developer fees as a financing source. The Consortium will generally require that:

- Projections of surplus cash available (after any cash-flow contingent payment due the Consortium) be sufficient to repay the deferred fee within 15 years (notwithstanding other waterfall provisions in the partnership or operating agreement, the Consortium will assume that all surplus cash distributions will be credited against the developer fee);
- Any net savings (or increased funding sources including but not limited to upward adjusters for tax credit equity) at project completion and cost certification will be used in equal parts to reduce the deferred developer fee and the Consortium's permanent Federal Assistance loan. In the event savings are sufficient to eliminate the deferred fee in this manner, any remaining net savings will be used to further reduce the Consortium's Federal Assistance loan, or in the sole discretion of the Consortium, to increase the operating reserve or preservation reserve.

## Exceptions and Interpretation

The Consortium has developed these guidelines for several reasons. Not only are they required by HUD as part of the Consortium's role in awarding Federal Assistance, but more generally they are intended to provide clarity to applicants on what the Consortium expects and transparency about the rules of the road. However, the Consortium recognizes that it cannot pre-emptively identify every possible special circumstance that may warrant an exception to its general requirements, nor can it identify every possible loophole whereby a creative presentation of costs or other projections might subvert the general need to balancing of viability and reasonable returns risk to the Consortium and public benefit.

Consequently, the Consortium reserves the right to waive specific underwriting criteria for specific projects when, in its judgment, the purposes of the Federal Assistance can be better achieved without taking on undue risk. When waiving any given requirement, the Consortium may impose

additional special conditions or business terms that are not otherwise typically applied to all projects.

For administrative ease, the Consortium may also align its underwriting standards with those required by other public funding involved in a given transaction, particularly if those standards are more restrictive or

conservative than the Consortium's. However, the Consortium retains the right, in its sole discretion, to decide whether to accept alternative standards.

The Consortium also reserves the right to reject any element of a transaction that, despite not being specifically prohibited, was not anticipated by these guidelines or such an element or business term otherwise creates unacceptable risks, excessive returns to the owner/developer, or otherwise undermines the public purposes of the Federal Assistance.

Insomuch as is reasonable, the Consortium will update and clarify these guidelines over time to

account for exceptions, waivers, or additional restrictions it imposes.