

State of Idaho
2003 Annual Action Plan
Submitted to HUD 2/14/2003

A supplement to the
Five-Year Strategic Plan for
Housing and Community Development

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Preface

This document is the third annual update to Idaho's *2000 Five-Year Strategic Plan for Housing and Community Development*. The Five-Year Plan presents a broader description of the jurisdiction and basic information about the state and its various regions, along with needs assessment and recommendations for housing affordability. The 2003 Annual Action Plan serves two purposes:

Although not a requirement of HUD's planning and reporting process, it highlights those areas of life in Idaho that have changed significantly since February of 2001 (the release date of the 2001 Annual Action Plan) and offers a brief synopsis of new information from the 2000 Census and other sources.

It reflects on the upcoming 2003 program year, along with specific activities designed to further the actions and strategies outlined in Idaho's *Five-Year Strategic Plan for Housing and Community Development*.

A draft copy of this document was available for public review and comment from January 14, 2003 to February 14, 2003 at Public Libraries and IHFA branch offices throughout the state, as well as on IHFA's Web site as a downloadable .pdf file. Furthermore, other opportunities were taken to alert additional housing stakeholders at various meetings and conferences held during the public comment period. Any comments received during the comment period have been enclosed in the final Action Plan submitted to HUD.

No substantial amendments to Idaho's most current *Five-Year Plan* are anticipated during the upcoming program year; for a more thorough look at Idaho's strategies for this period, please refer to the *2000 Five-Year Strategic Plan for Housing and Community Development*. Additional current information is available on the Idaho Department of Commerce Web site at www.idoc.state.id.us or by visiting the Bureau of Census site at www.census.gov.

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Idaho in 2002–2003

IDAHO'S ECONOMY, EMPLOYMENT AND GROWTH

As the U.S. Census was being completed in April of 2000, Idaho, like the rest of the U.S., still enjoyed record budget surpluses, a strong economy, rapid growth and relatively low unemployment rates. Since that time, things have changed significantly. Idaho and the nation face severe budget shortfalls, recession, and what looks to be at best a limited and prolonged jobless recovery. Add to that the anxiety of a country being led into an uncertain war with a resulting increased threat of terrorism, and federal resources being diverted away from states and cities accordingly.

Many Idaho communities and families are struggling with extensive job layoffs, plant closures and the resulting loss of resources. These factors are having, and will continue to have, profound implications in housing and community development needs and issues.

The most recent population estimates for Idaho placed the state's total population at 1,341,131 on July 1, 2002. If recent estimated population increases continue, Idaho will be home to approximately 1,361,248 people by the middle of 2003.

Economy and personal income

Idaho's historic dependence on natural resource industries used to serve as a buffer between national economic swings and our state's economic health. With a major shift during recent decades to hi-tech and electronics industries, Idaho felt the sting of reduced business investment beginning in early 2001—high-tech manufacturing declined 0.8% in 2001 and an estimated 10.3% in 2002. These reductions have had a ripple effect throughout the state's economy, beginning in the Treasure Valley.

The most recent Census data indicates that Idaho's middle class is shrinking as the gap between rich and poor continues to widen. Despite a drop in Idaho's poverty rate from 13.3% to 12% between 2000 and 2001 (just before the economic boom began to bust), Idaho median income was also sliding, as high-tech (and relatively high-wage) and other jobs were lost. Idaho invested \$3.9 million in 2001 to evaluate and address economic development in Rural Idaho, but the results are unclear and will not be felt in the Treasure Valley, the state's current economic engine.

Employment

Market losses and instability, along with a decline in business investment, have cost Idaho several thousand jobs, particularly in the high-tech sector, which typically has higher than average salaries. This has meant that many upper-income Idahoans face difficulties similar to those historically plaguing lower-income households: unwieldy consumer debt, eviction, foreclosure and bankruptcy (see below).

According to Idaho's Department of Labor, "seasonally adjusted unemployment rate for December 2002 is forecast at 5.6 percent, down two-tenths of a percentage point from November. Idaho's December rate is one-tenth of a percentage point above the 5.5 percent rate experienced one year ago, and four-tenths of a percentage point below the national unemployment rate of 6.0 percent, unchanged from November." The year closed with an actual unemployment rate of 5.8%, with many analysts surprised that Idaho continued to lose jobs

through late 2002.

Consumer debt and personal bankruptcies

Idaho households are amassing more consumer debt, with the consequences felt eventually by communities and state and federal assistance programs. Non-business (personal) bankruptcy filings in Idaho rose 16.2% between 2001 and 2002, at a time when its population grew only 3.1%. Idaho ranked 11th nationally in personal bankruptcy filings per capita, and 3rd highest out of 11 western states, with Nevada and Utah ranked 4th and 1st highest in the nation, respectively.

The rise in consumer debt and personal bankruptcy filings has several negative impacts: not only do bankruptcy and high debt ratios affect an individual's credit rating, they often keep households from securing reasonable interest rates on home mortgage, auto or other loans. The difference now is that more upper-income households are joining the ranks of Idahoans losing control of their lives and lifestyles as a result of credit issues.

Many of these households become targets of predatory lenders and often fall into a vortex of increasing debt. This may begin with payday or title loan transactions, late or missed credit payments or bounced checks that result in extreme interest rates and penalties. Unfortunately, this can and too often does result in the loss of a primary vehicle, subsequent loss of work, then eviction, delinquency and or foreclosure. Many consumers don't realize that poor credit (or a prior eviction or foreclosure) may make renting an apartment difficult if not impossible in some markets. This "debt cascade effect" has been reported by a number of consumers contacting the Idaho Housing Hotline as they seek assistance with housing or other basic needs.

Housing market shifts and impacts

Idaho, like many locations, experienced sharp increases in housing costs relative to wages during the 90s and through much of 2002. Low interest rates, a strong economy and low unemployment meant that those selling or refinancing their homes could secure appraisals and sales prices that seemed unrealistic to many observers.

Buyers have been confident in paying higher prices because, until recently, they have had good jobs and low interest rates. Pressure on real estate appraisers to inflate property values led to a vicious circle: overvalued homes became comparables for subsequent appraisals, which further inflated values. Since local governments rely on assessed values to determine property taxes, there is little incentive to control abuse.

This pressure is nothing new or unique to Idaho, and typically comes from homeowners seeking to use home equity for debt consolidation, purchases and investments or simply to increase cash on hand at closing. Housing professionals or industries whose earnings are indexed to sales price are naturally not inclined to limit appraised values.

The result, with the economy in trouble and unemployment on the rise, is that many homeowners are in high loan-to-value mortgages with less income than anticipated. Although the housing market and sales prices remain relatively strong at the moment, some indications are that prices may be softening. Milder than average temperatures statewide (coupled with persistent low interest rates) led in part to a stronger than expected 2002 for new construction, as owners and builders took advantage of these prime conditions.

The downside of inflated housing prices followed by an economic downturn is playing out in higher delinquency and foreclosure rates and related consumer credit concerns listed above. With any luck, the projected jobless recovery will resolve before significant and lasting impacts are felt throughout the housing market. If not, Idaho and the rest of the country could experience more drastic economic impacts as properties revert to lenders in increasing numbers, and displaced households are forced to cope with the resulting long-term emotional and financial impacts.

2000-2004 HOUSING AND COMMUNITY DEVELOPMENT STRATEGIES

The following general strategies derive from the 1999 strategic planning and public participation process and are regarded as being the most effective for addressing Idaho's most pressing housing and community development needs. These strategies serve the Idaho Housing and Finance Association and the Idaho Department of Commerce as targets for each year's action plan and activities. Not all strategies apply to all regions or communities; local conditions and residents determine how best to address the housing and community development needs of each community.

Each successive Action Plan strives to reflect and adhere to these strategies in its program planning and resource allocation.

Housing Strategies

- Increase the supply of affordable rental housing for low- and very low-income Idahoans in areas of demonstrated need
- Preserve existing affordable rental housing
- Preserve and expand the affordability of homeownership and home maintenance for first-time home buyers and existing low- and moderate-income homeowners
- Promote independent housing options for Idaho's special needs populations
- Expand the Continuum of Care for the homeless in all regions of the State
- Cultivate efforts to promote and enhance general housing affordability and quality
- Enhance the State's Public Housing Programs
- Minimize the health risks from lead-based paint

Non-Housing Community Development Strategies

- Improve community infrastructure planning to accommodate economic growth and community development
- Increase economic opportunities for low and moderate income Idaho residents by assisting businesses expansion
- Strengthen the ability of local communities to prevent and eliminate conditions of slum and blight through state and federal community development programs
- Serve the basic and immediate needs of Idahoans when public infrastructure fails due to a catastrophic event
- Assist in enhancing and strengthening local government capacity and that of other community groups to develop creative and innovative ways to identify, address and manage community development projects and maximize the use of resources in and outside of the community
- Serve the needs of Idaho's older citizens and special needs populations through the development of public facilities

Combined Housing and Community Development Strategies

- Continue coordinating the funding cycles of programs covered by the Plan with other resources administered by state agencies
- Encourage planning efforts on the part of local governments by awarding points to applications coming from jurisdictions which address housing and community development needs adequately

- Provide technical assistance to local governments with the housing and community development components of their comprehensive plans
- Increase collaboration between funding entities, regulatory agencies, developers, and advocacy groups. Establish similar resource coordination efforts in each region
- Continue to encourage local government assistance in housing and community development projects
- Continue to foster close communication and coordination with Governor's Office and Legislature
- Continue to expand Fair Housing information and education efforts and actions to address illegal discrimination
- Coordinate housing and community development activities with programs and services addressing poverty

Action Plan

(A) FORM APPLICATION

See forms SF-424 and HUD-424-M (attached to final print version submitted to HUD)

(B) RESOURCES

Based on the estimate from the 2000 Census, the State of Idaho's HOME allocation should be approximately \$6,000,000. Under the HOME Program, IHFA projects a total of \$250,000 in program income, \$225,000 of which will be made available for additional projects, the remaining \$25,000 utilized to cover administrative expenses. The significant reduction from previous years is a result in the absence of the I.D.A.H.O., Inc. (Caldwell) Mutual Self-Help Project, which previously yielded over \$500,000 in program income from the sale of the assisted units. They are no longer utilizing HOME funds for the construction financing. The HOME Program anticipates receiving approximately \$225,000 in loan payments on outstanding HOME Loans.

The State of Idaho does not provide any matching funds for the HOME Program. IHFA anticipates approximately \$900,000 in match contributions from private non-federal sources for the 2003 Program Year as follows:

- One-quarter of this amount, or \$225,000 will be contributed from the Mortgage Revenue Bond funds utilized to finance single family home mortgages financed by the IHFA Residential Lending Department – where HOME funds are providing Down-Payment Assistance.
- Approximately \$175,000 will be contributed by projects receiving Below-Market Interest Rate financing for the permanent loans provided for HOME assisted projects.
- Approximately \$150,000 is projected to be contributed from the Affordable Housing Program grants received from the Federal Home Loan Bank System.
- Approximately \$250,000 will be contributed as sweat equity from the two Rural Development Mutual Self-Help projects expected to be completed during the program year,
- Approximately \$100,000 is anticipated as donations of professional services.

The 2003 ESG award is \$426,000. The ESG program does not anticipate any program income. The ESG program does not receive any matching funds from the State of Idaho. During this grant period, a total of \$326,000 in matching contributions is anticipated from the following sources: \$45,640 in the form of in-kind donations and volunteer services at \$5.00 per volunteer hour, \$61,940 from the United Way charities, \$29,340 from FEMA, \$9,780 from the U.S. Department of Education, \$84,760 from local governments and businesses, and over \$94,540 from other federal funds such as CDBG and CSBG. Since we have strongly encouraged our Project Sponsors to diversify their resources, the increased percentage of matching funds coming from local sources (up 15% from last year) is a positive development.

IHFA transfers HUD's \$100,000 match exemption directly to Idaho's ESG Project Sponsors, as described in ESG Policies and Procedures, Section 3.46. The exemption is disbursed among all funded projects because IHFA decreases their dollar-for-dollar match requirement by subtracting an equal percentage of the match from each sponsor's total. This adjusted match requirement is provided to them at the time of the Conditional Award during the Technical Submission process.

(c) ACTIVITIES

HOME Program

The primary activities of the HOME Program are the following:

- new construction of affordable rental housing for both families and seniors,
- rehabilitation of affordable rental housing,
- downpayment and closing cost assistance to home buyers,
- owner-occupied home rehabilitation loans, and
- transitional housing for homeless persons.

Other eligible activities include the acquisition of land for affordable rental housing or owner-occupied housing, adaptation of existing or construction of new units that are accessible for persons with disabilities, and SRO housing for homeless persons.

IHFA distributes funds through competitive application rounds. This has proven to be the most effective method to ensure the equitable distribution of funds and to maximize their benefit. The first application round for 2003 funding was held September 3, 2002; the second application round is scheduled for February 14, 2003. IHFA does, however, reserve the right to address identified housing needs by acting outside the framework of the competitive application process to fund projects that demonstrate exceptional community value.

Citizen Participation

IHFA has been designated by the Governor of Idaho to administer the HOME Program for the State of Idaho, and is required to present any changes to its Administrative Plan to the public by way of public hearing - as described in the Citizen Participation Plan. The HOME Program Administrative Plan has been created by IHFA for the purpose of ensuring effective utilization of HOME Program funds and compliance in the expenditure of HOME funds with federal regulations and with the policies established by IHFA.

Proposed amendments to the HOME Program Administrative Plan were solicited from the public and presented to the Board of Commissioners at its November 2002 and January 11, 2002 meeting, and to the public by IHFA in order to make corrections and clarifications to the Administrative Plan and to accurately reflect changes to the federal regulations and the policies established by IHFA for the HOME Program. Comments concerning the proposed amendments to the HOME Program Administrative Plan were received as a result of public hearing on October 15, 2002 and the public comment period conducted by IHFA; modifications to the proposed amendments to the Administrative Plan reflected public comments received.

The proposed amendments were adopted and made a part of the HOME Program Administrative Plan at a duly and properly called meeting of the Board of Commissioners of IHFA held on the 13th day of December, 2001. In addition, the comment period for changes to the 2003 Consolidated Plan was extended to November 24, 2002 after presentations were made at the October, 2002 Housing Roundtable forums in Coeur d'Alene, Lewiston and Pocatello.

The only suggested revision to the Consolidated Plan that was received from the Pocatello Neighborhood Housing Services, in response to the Roundtable conducted October 24, 2002, as follows:

1. We request the support of upper-level residential development in commercial/downtown settings through the HOME and Low Income Tax Credit programs. Often rehab costs for these structures are prohibitive with subsidy. Revitalization of upper level residences revives abandoned areas of our towns and restores potentially useful buildings to productivity.

2. We request the support of infill construction projects through zero-interest construction loans, a portion of which stays in the project after repayment in the form of down payment and closing cost assistance. Even very low interest rates often prohibit community development entities from participating in infill or price the housing out of the affordable range. Zero-interest loans enable CDCs to keep housing affordable in existing neighborhoods where construction costs outpace housing prices.

The amendments to the Administrative Plan were adopted and made a part of the HOME Program Administrative Plan at a duly and properly called meeting of the Board of Commissioners of IHFA held on 7th day of November 2002.

Following is a summary of revisions to the HOME Program Administrative Plan:

HOME Administrative Plan Revisions

1. Section VI-43; Payment of Contractors

The HOME Program requires that contractors submit change orders to IHFA prior to the work or material change being affected.

Reason for Change:

Changes to the plans and specifications have been made in the past where developers have failed to inform IHFA in advance, and the changes have resulted in unanticipated increases in the total price of the project. This change is intended to tighten up that process.

Public Comment

Request that some consideration given for emergency situations or minor situations without having to contact IHFA in advance.

Action

No action required. Emergencies can be accommodated within construction contingency with IHFA being notified as soon as feasible. To make an exception for emergencies would require that a definition of emergencies be given – which goes against the intent of the process.

Section VIII-3; Quality of Location/Environmental Suitability

The HOME Program increased the "Quality of Site" scoring points from 5 to 20 points.

Reason for Change

Although the Environmental Process is a required threshold item without which no project can receive funding, there are often projects which barely pass threshold, and the HOME Department was concerned that potential deficiencies were not reflected in the scoring of applications.

Public Comment

Clarification was requested so that developers would know precisely what criteria was considered in evaluating sites.

Action

The following ten criteria for evaluation will be inserted:

Quality of Location – 20 points

- Noise
- Floodplain or Wetlands
- Endangered Species or Scenic Rivers & Wildlife
- Hazardous Tanks

- Environmental Justice of Surrounding Area
- Land Quality
- Physical Hazards
- Cost of Acquisition and Site Development
- Economic Characteristics
- Historical Properties

3. Section I-13; Conditional Commitment

The HOME Program has instituted a Conditional Commitment process between the Environmental Process and the signing of the Regulatory & Loan Agreements.

Reason for Change

This new procedure will give developers a firmer commitment to present to other lender partners, and will allow the HOME Department to clarify outstanding items required for loan closing.

Public Comments:

Developers generally expressed support of the commitment stage being added. One comment referenced a conflict between the Commitment Letter issuance and the signing of the Regulatory Agreement.

Action

The conflicting language was deleted.

4. Displacement, Relocation and Acquisition

A number of detailed definitions were added to clarify the definition of a “displaced person”, including:

- those tenants who are offered temporary relocation units that are not decent, safe, and sanitary,
- those who were offered unreasonable terms or requirements,
- those who were affected by a change in the characteristics or use of the structure, or
- those tenants whose economic status after rehabilitation could be considered “rent burdened”.

Reason for Change

As part of HUD’s monitoring of the Uniform Relocation Act (URA) Procedures, an expanded definition of eligible “displaced persons” was recommended for inclusion in Plan.

Public Comments

Comments generally requested clarification of definitions.

Action

No change to Plan is required. A Frequently Asked Questions (FAQ) sheet will be developed responding to the specific questions, and training will be offered to developers to better understand the relocation process requirements.

5. Section VI-31; Guarantee Agreements

Guarantee Agreements in lieu of Payment and Performance Bonds or Letters of Credit have been added as an option to ensure project completion. IHFA will require a pledged liquid asset in a

minimum amount equal to 25% of the HOME loan amount up to a maximum of 25% of the total cost of construction.

Reason for Change

Guarantee Agreements had been permitted on a case by case basis but never codified in the Administrative Plan.

Public Comments

Generally favorable comments as Guarantee Agreement reduce the need for additional costs associated with Payment and Performance Bonds.

Action

Resource Committee recommended adding the option to increase the amount of required collateral up to a maximum of 25% of the total cost of construction – which is the same threshold required for Letters of Credit.

Section. I-14; Regulatory Requirements; Environmental Process

The HUD Environmental Process requires that developers refrain from undertaking activities that would have an adverse environmental impact or would “ otherwise limit the choice of reasonable alternatives” until HUD has issued an approval. A conditional reservation of HOME funds will be rescinded if any of these actions take place.

Reason for Change

HUD’s recent CPD Notice 01-11 has clarified this policy recently, and HUD is enforcing this requirement more uniformly nationwide.

Public Comments

Concern was expressed that certain “soft costs” could be construed as triggering sanction of rescinding the HOME conditional reservation. The proposed language stated, "HOME funds may not be used to reimburse a non-governmental entity for project-related costs incurred after the entity has submitted an application for HOME funds and before approval by HUD of the Request for Release of Funds".

Action

Elsewhere in the CPD Notice, various exemptions are stated, among those being environmental studies, and payment for a variety of soft costs such as insurance purchase, engineering or design costs. Language has been added that exempts soft cost from “choice-limiting actions”.

Section VI-31; Davis-Bacon

When a HOME funded project contains twelve (12) or more HOME assisted units, the developer must provide a qualified grant administrator to monitor the project and to compile the documentation related to the application of Davis- Bacon wages.

Public Comments

Concern was expressed as to the level of qualifications required for the grant administrator.

Action

Plan will be updated to indicate that qualification for Grant Administrator includes participant certified in IDOC Grant Administration Program.

Priorities / HOME

Each of the primary activities address specific priority needs and objectives in the following ways:

New construction of affordable rental housing for both families and seniors

- In areas of demonstrated need, the construction of these units increases the supply of affordable rental housing for low- and very low-income Idahoans.
- Expand housing opportunities for the "working poor" to live in safe and decent housing.
- Explore ways to increase the availability of housing options for seniors transitioning from owner occupancy to assisted living.

In the first 10-years of operation, the IHFA HOME Program has constructed an average of 40 units of new rental multi-family and senior housing annually, and rehabilitated an average of 25 rental units annually. IHFA anticipates a stronger need for HOME funds to be utilized in the rehabilitation of rental units - particularly older USDA Rural Development projects. In addition, IHFA anticipates requests for HOME Program funding for the construction of low-income senior assisted living facilities. During the 2003 Program Year, IHFA anticipates that approximately 50 units of rental housing will be constructed and/or rehabilitated - utilizing approximately \$3.0 million in HOME Program funds.

Rehabilitation of affordable rental housing

- Increase the ability of nonprofit housing groups to access available funds to rehabilitate agricultural worker housing.
- Participate in programs offering financial restructuring opportunities for targeted subsidized housing projects requiring rehabilitation.
- Encourage landlords to rehabilitate substandard rental properties.

The program goals are included in the section above. The distribution of funds between new construction and rehabilitation is a function of market needs and analysis of individual project submitted for consideration. The HOME Application Scoring was modified in the 2002 Administrative Plan to give additional weight to rehabilitation projects, and we anticipate several rental rehabilitation applications in the February 14, 2003 application round.

Downpayment and closing cost assistance to home buyers

- Expand downpayment and closing cost assistance opportunities for first-time homebuyers.
- Support innovative homeownership options such as lease-purchase programs.
- Encourage creation of employer-assisted housing programs in resort areas or other areas with limited development opportunities.
- Support Section 8 voucher home ownership (HOV) efforts for income-eligible persons with disabilities
- Collaborate with Idaho Health & Welfare Community Integration Committee to make the HOV program accessible to persons with mental, developmental and physical disabilities

In the 2003 Program Year, IHFA expects to provide downpayment and closing cost assistance (DPCC) for approximately 300 homebuyers in the following programs:

\$900,000 will be available to provide approximately 200 units of housing in IHFA's collaborative projects with USDA Rural Development and the IHFA Single Family Residence Program.

\$250,000 will be available for 16 DPCC grants to homebuyers with special needs under the Homeowner Voucher (HOV) Program in conjunction with the Section 8 voucher program. IHFA will be working with our own Rental Assistance Department as well as state housing authorities.

\$200,000 will be available to fund 20 grants to homebuyers under the Mutual Self-Help projects sponsored in collaboration with the USDA Rural Development and two Community Housing Development Organizations (CHDOs); the Eastern Idaho Special Services Agency (EISSA), Inc, and Mercy Housing, Inc.

Effective January 1, 2002, IHFA added lead-based paint assessments as an eligible expense in addition to providing the standard downpayment assistance for all homes assisted with HOME funds that were built prior to 1978. IHFA will continue to extend outreach and training to state-wide realtors and lenders in 2003.

Owner-occupied home rehabilitation loans

- Expand low-cost rehabilitation loan programs for homeowners and make them available statewide.
- Explore incentives for lead reduction programs in housing through loans, grants, and/or tax credits.
- Support energy efficient and environmentally sound construction and rehabilitation and utility programs.

IHFA has averaged approximately 13 owner-occupied home rehabilitation loans annually since inception. With the recent addition of South Central Community Action Agency (SCCAA) as a certified CHDO providing rehabilitation and weatherization services, we anticipate providing a minimum of 10 loans in the 2003 Program Year. The impact of the new lead-based paint regulations that went into effect on January 10, 2002 continue to have an impact on our ability to meet this objective. IHFA plans to collaborate with the USDA Rural Development and the Association of Community Action Agencies to forge a partnership whereby RD504 financing can be utilized with HOME funds to both address the rehab needs as well as provide Lead Risk Reduction activities.

Transitional housing for homeless persons

- Expand the supply and effectiveness of transitional housing to alleviate homelessness.
- Provide options for supportive social services along with affordable housing opportunities and improve coordination between service and housing providers.
- Expand effectiveness of services and housing options designed to prevent homelessness.

In its first ten years of existence the IHFA HOME Program has provided matching funds for Special Needs projects in the following communities:

Twin Falls; an eight-unit permanent housing project for individuals suffering from mental illness, sponsored by C.O.R.E, Inc., and an eight-unit (scattered sites) transitional housing project for homeless families, sponsored by the South Central Community Action Agency (SCCAA). PY 2003 will include two additional units from rehabilitation of the "old" CORE Lodge.

Moscow; a ten-unit transitional housing project for homeless individuals and families, sponsored by Sojourner's Alliance.

Pocatello; a twelve-unit (scattered sites) transition housing project for homeless families, sponsored by Aid For Friends.

Coeur d'Alene; a sixteen-unit and an eleven-unit transitional housing project designed for homeless families, sponsored by St. Vincent de Paul.

Idaho Falls; a seventeen-unit permanent housing (scattered sites) project for persons with developmental and/or physical disabilities, sponsored by CHOICE, Inc.

Nampa; an eight-unit transitional housing (scattered sites) project designed for homeless families, sponsored by I.D.A.H.O., Inc.

Sandpoint/Hope; a six-unit transitional housing project for homeless families.

IHFA will continue to focus on expanding the permanent housing opportunities for households and individuals with special needs, including those with mental illness, developmental disabilities, and physical disabilities. Based on the priorities established by the Homeless Coordination Network for the 2003 Continuum of Care, IHFA will make available funds to match any additional units. The construction of Single Room Occupancy (SRO) units is an eligible activity which has been identified in the HOME Administrative Plan - and might be an option available to the regional Homeless Coalitions as a source of additional housing for single individuals.

Priorities / Emergency Shelter Grant (ESG) Program

IHFA is designated as the State of Idaho's administrative entity for the ESG Program. The ESG Program provides critical funding for the operations of many of the State's homeless shelters. ESG also helps pay for many of the essential services families need to move out of shelters into transitional housing or permanent housing. Approximately 10% of the funds are used for homeless prevention services. Idaho's ESG Program helps fulfill the Five-Year Strategic Plan Housing Strategy to Expand the Continuum of Care for the homeless in all regions of the State.

The following objectives have been established to guide distribution and use of funds under ESG:

- Encourage and support projects that fulfill needs identified in the Five-Year Strategic Plan
- Help coordinate efforts by different organizations within geographic areas to fill gaps in facilities and services identified in each Regional Continuum of Care Plan
- Support projects that use ESG funds to complement the use of other public and private funds and resources, and to help improve services to the homeless.
- Fund projects that address severe shortages in services to the homeless with clearly defined methods to measure the outcomes of these services.
- Support projects that will expand or make improvements to existing facilities for the homeless
- Support project that best assist persons in moving through the Continuum of Care toward independent living
- Support projects that will carry out homeless prevention activities
- Support projects in jurisdictions where comprehensive support and ancillary services are available and accessible to homeless individuals
- Support projects that can be completed in a timely manner, with measurable outcomes, within budget, and in conformance with all applicable federal and state requirements.

(D) GEOGRAPHIC DISTRIBUTION.

ESG Program

As mentioned above, IHFA administers the program for all areas of the State of Idaho.

HOME Program

For all areas of the State of Idaho outside of the City of Boise, IHFA attempts to allocate the HOME funds on a geographically equitable basis, although the number of quality applications received from each region varies annually. Therefore, 2003 HOME funds may be allocated to regional applicants for specific projects selected by the Association based upon all the rating criteria. Preference points are awarded to applications that develop projects in a rural area with a population less than 10,000. In short, demonstrated need outweighs geographic location in determining the distribution of funds.

Since inception, the HOME Program funds have been distributed as follows:

Region	Units	Funds (%)
Northern Panhandle (Region 1)	129	8.1%
North Central (Region 2)	119	8.2%
Southwest (excluding Ada Co.)	655	31.3%
South Central (Region 4)	209	12.8%
Southeastern (Region 5)	299	16.3%
Eastern (Region 6)	209	9.4%
Ada Co. (Outside Boise City)	25	2.0%
Other Administrative Activities	n/a	10.8%

(E) HOMELESS AND OTHER SPECIAL NEEDS ACTIVITIES.

In 2003, the HOME Program plans to continue its allocation of funds to be used to develop transitional housing for homeless persons. The Program also provides preference points to projects that target the households earning less than 30% of area median income, which often includes homeless individuals and families. Transitional housing is included in the set-aside of funds for special needs housing during the first two application rounds of the Program Year. As part of the statewide Continuum of Care, IHFA will encourage the Regional Homeless Coalitions to work in collaboration with local government and certified CHDOs to explore developing (non-emergency) Single-Room Occupancy (SRO) units for homeless individuals.

(F) OTHER ACTIONS

In 2003, the IHFA HOME Program plans to build on the foundation started last year to develop the capacity of its network of CHDOs. A competitive application for 2003 CHDO Operating Assistance is being made available to existing CHDOs. The deadline for assistance is February 17, 2003. Although these funds are designated under the general category of operating assistance, IHFA's intention is to use Operating Assistance to pay for activities that serve to increase the recipient's capacity to become owners, developers or sponsors of quality affordable housing. IHFA's purpose in making operating assistance grants available is to help CHDOs become increasingly able to earn developer's fees, fees for managing affordable housing, or net income from operating CHDO-owned affordable housing.

CHDOs will be active in several innovative actions IHFA has planned for the 2003 Program Year:

- IHFA provided scholarships for representatives from each of the active CHDOs to attend the "Linking Community Development with Housing" workshop sponsored by HUD and RCAC at the end of February 2003.
- In partnership with RCAC, IHFA will sponsor a series of HOME "101" Basic Training for community organizations located in eastern and northern Idaho the first week of April 2003.

- IHFA plans to bring on staff it's own technical assistance coordinator who will be available to work with an interested project sponsor to develop a model Lease-to-Purchase Program on a pilot basis. This program might offer a much-needed bridge from renting to home ownership.
- IHFA will pursue a dialogue with the Habitat for Humanity organizations and our CHDOs in fashioning a partnership that might offer a housing model that provides home ownership to the very low income.
- IHFA plans to initiate dialogue between CHDOs and their respective municipalities to determine the feasibility of offering HOME funds as loans to encourage landlords to rehabilitate substandard rental properties.
- In communities where collaborative relationships exist between CHDOs and the local jurisdiction, IHFA plans to develop a model of providing construction financing for infill development of single-family homes.
- To the maximum extent feasible, IHFA will collaborate with the Idaho Department of Health and Welfare's Community Integration Committee in providing housing assistance to persons with mental, developmental, and physical disabilities.

(G) PROGRAM-SPECIFIC REQUIREMENTS

(1) State CDBG Program: Method of Distribution/Application Criteria

Distribution

The Idaho Department of Commerce divides the allocation of CDBG funds accordingly:

- Two percent (2%) plus \$100,000 of the total allocation is reserved for the department's administrative costs
- One percent (1%) of the total is reserved for technical assistance
- Five percent (5%) or \$300,000, whichever is less, of the total allocation is set aside for imminent threat grants
- Six percent (6%) or \$600,000, whichever is less, of the total allocation is set aside for senior citizen center and community center grants
- Any program income, recaptured funds, or carryover funds from previous fiscal years is added to the remainder; and
- Of the remainder, fifty percent (50%) is reserved for public facilities or housing grants and 50% for economic development grants.

The proposed distribution of funds will address the priority needs and objectives described in the consolidated plan. Specifically the needs are to:

- Improve community infrastructure planning to accommodate economic growth and community development;
- Increase economic opportunities for low and moderate income Idaho residents by assisting businesses in expanding and creating jobs;
- Strengthen the ability of local communities to prevent and eliminate conditions of slum and blight through state and federal community development programs;
- Serve the basic and immediate needs of Idahoans when public infrastructure fails due to a catastrophic event;

- Help enhance and strengthen local government capacity and that of other community groups to develop creative and innovative ways to identify, address and manage community development projects and maximize use of internal and external resources for the community.

Application Criteria

Project applications are reviewed on a competitive basis and must pass three major thresholds to be considered for further review. The first is the applicant must be an eligible city or county based on federal and state requirements for the Small Cities Program. The second requirement is the proposed project must meet one of three national objectives: benefit to low and moderate income persons, aid in the elimination or prevention of slum or blight; or address a threat that poses a serious and immediate threat to a community's health and safety. The third threshold is the proposed project must be for eligible activities.

The criteria used to select applications for funding Public Facility and Housing projects is as follows:

Program Impact. This is an assessment and ranking of ratios of ICDBG dollars to the total project; matching dollars to the total project; ICDBG dollars per person and local match dollars per person. The purpose of developing these ratios is to measure the level of local funding commitment to the project compared to other funding sources. Related to this is the dollars per person benefiting in the community. This is also a way to measure the level of local commitment to the project. The last rating factor in this category is Eligible Activity points. The more money spent on a priority activity, i.e. health and safety related projects, the more points assigned.

National Objectives. The proposed project must qualify in benefiting low and moderate income persons or the prevention or elimination of slum and blight. Low and moderate income is determined by census data or survey, which is validated before final points are given. A range of points has been established where the higher the benefit to low and moderate income persons, the more points the applicant will receive.

To qualify under the slum and blight national objective on an area or spot basis the area, shall by resolution, be officially designated by the grantee and must meet the definition of a slum, blighted, deteriorated, or deteriorating area. For slum and blight on an area basis the resolution must establish the boundaries of the slum and blighted area and generally describe the conditions. Second, the applicant must identify and document a substantial number of deteriorated or deteriorating buildings, or public improvements throughout the area. This condition is considered fulfilled if two or more public improvements throughout the area are in a general state of deterioration. Last, the project must address one or more conditions which contributed to the deterioration of the area.

To comply with elimination of slum or blight on a spot basis, the project must be designed to eliminate specific conditions of blight or physical decay on a spot basis not located in a slum or blighted area. A resolution is also required and the project is limited to acquisition, clearance, relocation, historic preservation, or rehabilitation of buildings, but only to the extent necessary to eliminate specific conditions that are detrimental to public health and safety.

Need and impact under both national objectives is based on the level of need.

- Full points are given for health and safety problems which are in violation of federal and state regulations;
- Moderate need is when need exists and is health and safety related, but is not in violation of federal and state requirements;
- Potential need is when improvements or changes need to be made to prevent future needs related to service and health and safety factors;

- Community need is for proposed projects where service and general improvements are wanted, but no health and safety problems exist.

Applicants for public facility projects can request up to \$500,000. Applications are due in November, the Friday before Thanksgiving and if they are on the short list in the pre-application period, they are awarded in April of each year. For certain types of public facility projects, the department requires additional information.

For street and street-related projects, applicants must provide a maintenance record for the project area eighteen months prior to submittal of the application or addendum. They must also show the method of prioritizing the project over other needs.

For water and sewer projects, applicants must conduct a rate study and complete a Financial Viability Profile, which reveals the community's management and maintenance practices.

For youth center projects, applicants must show they have modeled their center after the Boys and Girls Club of America. Services and programs must target at-risk youth ages 6-18 by developing the skills to overcome challenges and become responsible leaders. Leadership, education, career, health recreation and other specialized programs such as family support and intervention are main components of youth center programs.

Housing need and impact are evaluated by several factors. Need is determined through a housing needs assessment. Information that must be collected in this assessment is population and growth, family size, the number of elderly persons, number of persons with disabilities, minority persons, and family income data. Community housing information includes the total number of units, number of rental units, age of housing, vacancy rates, overcrowding, the number of substandard units in the community, and the types of housing in the community, i.e. owner, rental, institutional and seasonal. The applicant shall address how the proposed housing project will meet the needs outlined in the housing conditions study. The maximum points will be assigned to those housing projects meeting the most need as described in the housing needs assessment.

The housing impact points are determined by granting more points for projects that provide housing to the lowest-income persons. The points are calculated by the percentage of persons at 80, 50, and 30 percent of median income occupying the housing. The percentage of 30% of median income persons is multiplied by 80 points. The percentage of 50% of median-income persons is multiplied by 60 points. The percentage of 80% median income persons is multiplied by 40 points. The maximum point award is 80.

Applicants are required to submit a written management plan showing how the housing units will be allocated to the different income levels and how the proposed project matches the needs outlined in the need category. Housing market data is also required. Applicants may request up to \$500,000 for housing projects and applications are due in November, the Friday before Thanksgiving.

Applicants for senior citizen and community center projects may apply for up to \$100,000 or \$150,000 if they meet the requirements for new construction. Applications are due the third Friday in March and are awarded in April of each year. For construction of new senior citizen centers, and on a case by case basis; the staff may recommend to the Economic Advisory Council consideration of additional funding. This will be based on whether the existing center is a designated meal site serving three or more meals per week. The new facility must meet other significant community needs; architectural plans and cost estimate must be reasonable and meet the documented needs of senior citizens. Support for the project by the Office on Aging is also part of the review.

For senior citizen centers, consideration of additional costs will be based on whether the existing center has kitchen facilities and the new facility will serve other significant community needs or groups; architectural plans and cost estimates are reasonable and they meet the documented needs of community or neighborhood residents.

Major review criteria for senior citizen and community center projects are:

- Health services. If the center is a designated meal site, staff will evaluate the number meals served weekly, monthly, and annually;
- A detailed ranking of the building's physical conditions, which includes structural problems, roof, walls, floors, weatherization, expansion of adult day care, etc.;
- Interior problems, such as asbestos or lead base paint, accessibility for persons with disabilities, electrical, plumbing, lighting, heating and air conditioning, fire safety, etc.;
- Kitchen and food storage characteristics, such as health inspection findings, capacity of dry and cold storage, equipment, etc.;
- Access for persons with disabilities in parking, entering the building, use of the bathrooms and any other areas of the center. Points are assigned in each area in three categories; critical, which is a violation of building codes and health and safety concerns; urgent, which is a health and safety problem; and nice to have which is not a violation of building codes or health and safety concerns. Points are assigned accordingly on the level of need. In addition to planning, costs and schedule, another important rating and ranking area is what activities will be provided as a result of the improvements to the center. Activities include health, recreation, meals, education, and transportation. A calculation is made using the frequency of the activity by days offered per month to come up with total activity days.

Applicants for downtown revitalization projects may apply for up to \$500,000. Applications are due in November, the Friday before Thanksgiving and if selected for the short list in the pre-application stage, are awarded in April of each year. The majority of points for downtown projects are in the following categories.

- 1) Documentation the project meets slum or blight requirements;
- 2) Community organization -The application must show how the community is actively organized to plan and implement a downtown revitalization process, i.e. steering committee representing merchants, city officials, local economic development organizations, utilities and banks. Active subcommittees should be in place to undertake components of the process, i.e. infrastructure, finance, marketing, promotion, historic preservation, architecture, regulation and economy;
- 3) Assessments are another important category. Communities must have conducted an analysis of the local economy's market or trade area. This information shall include:
 - Background studies to assess the local economic forces, market conditions, and demographics and sales volumes
 - Present conditions of streets, sidewalks, sewers, water and storm drain systems, and traffic patterns
 - Mix of land uses, conditions of buildings and vacancy rates, physical design, and environmental conditions

An Action Plan to implement the project is required. This must include architectural and or engineering plans, a schedule and what has been accomplished to date.

The determination of slum and blight and the relationship to the overall plan, match and the communities long-term program.

The maximum amount applicants for economic development job creation may request is \$500,000. Applications must be submitted the third Monday of December, March, June and September.

The department requires applicants for these projects meet minimum criteria by the deadline in order for staff to review and rank the project and recommend it to the Economic Advisory Council. The project must meet the national objective of benefiting low and moderate income (LMI) persons through job creation. Fifty-one percent of all new jobs created or retained must be held by or made available to a member of a LMI family. Family income must be certified by the employee at time of hire and must be verified or be documented through a Department of Labor screening referral agency. Other criteria includes: a public hearing; a determination of necessary or appropriate, if applicable; a detailed map showing the location of the proposed project with proposed improvements; existing land uses in the surrounding area; a brief analysis of the business to be assisted including financial statements and balance sheets showing sales, income and net position for three years prior to the application and the experience of senior management.

Also a significant requirement before proceeding with the review of these projects is a letter of commitment from the business stating their agreement to be part of the grant project; their ability to accomplish the proposed expansion, their understanding of and compliance with, all applicable federal regulations. They must understand and comply with the payback liability if the job creation does not meet federal standards, and make all records and information available. These requirements are met by completing and signing the Grant Assistance Agreement and Certification of Compliance with Grant Conditions.

Staff shall also proceed with review of the project after evaluating the type and number of all jobs to be created; calculating fulltime equivalents; examining a beginning payroll of the business at the location of the proposed project, and evaluating a detailed description of the hiring process and any training that will be provided as part of the project. The information must include current job information and job creation projected for two years beyond the completion of the grant funded construction. A description of the quality of new and retained jobs must be included along with a description of the median annual income and fringe benefits package for new or retained jobs.

Once the applicant has met these requirements, other documentation is reviewed. This includes:

- Planning, cost and schedule
- Business Risk and Management
- Minority benefit
- Local investment leverage
- Distressed area benefit
- Rural impact
- Private leverage
- Gem Community Participation

Imminent threat projects are the final set aside of the ICDBG Program. The set-aside is \$300,000 per grant year. Applicants may apply for these funds up to \$100,000 for each project. Communities requesting an imminent threat grant shall document the following:

The existence of a threat to public health or safety; the nature of the threat, the immediacy of the threat; what caused the threat to arise; what harm will occur to people if the threat becomes an event; how the funding will eliminate the threat and protect human health or safety; and an official declaration of emergency by the governing body.

Written agency verification of the existence of the threat; the potential for immediate harm, and the need for immediate resolution to avoid physical harm to people.

Information showing how the threat is an unusual circumstance and not a common problem of cities and counties. If the problem has existed for six months or more, what change made it become an imminent threat?

The applicant must also document no other funding sources are available and provide a list of the agencies and individuals contacted; agency responses, including and the reasons they cannot assist. And finally, documentation showing why local funds cannot be used to relieve the situation; and, if the problem has existed for six months or more, what local efforts have been made to solve the problem before it became a threat.

(2) HOME

i. The IHFA 2003 HOME Program provides a combination of interest-bearing loans and deferred-payment loans for its multi-family and senior housing developments. The HOME Program also provides a variety of non-interest-bearing loans and "due-on-sale" loans for other special needs housing developments and the owner-occupied home rehabilitation projects. Grants are extended to provide homebuyers with downpayment and closing cost assistance and are forgiven over a recapture period of 5 to 30 years - depending on the amount of the assistance.

ii. In 2003, the IHFA HOME program intends to use HOME funds for homebuyers utilizing the following resale recapture provisions:

- For assistance less than \$5,000, IHFA forgives one-fifth (1/5) of the principal amount for each full year the homebuyer resides in the home as their principle place of residence.
- For assistance greater than \$5,000, but less than \$20,000, IHFA forgives none of the principal in the first five years of occupancy. From year six through ten, IHFA forgives one-fifth (1/5) of the principal balance for each full year.
- For \$20,000 of assistance (currently is the maximum amount of assistance under the HOYO Program), IHFA forgives 1/360th of the principal balance for each month over a thirty-year recapture period.

Other standard guidelines are as follows:

- If the Property is sold, the homeowner is not required to repay more than the proceeds (after deducting closing costs as approved by IHFA) from the sale of the Property less the repayment of any loans secured by liens prior to the Deed of Trust;
- If the homeowner owns the Property and the Property has been homeowner's principal residence for the entire recapture period (i.e. 5, 10, or 30 years), no funds need be repaid;
- During the period that the grant resale/recapture provisions are in effect, IHFA will not subordinate any portion of the outstanding balance of the grant to a second mortgage or a home-equity line of credit.
- If the property is sold to a subsequent owner whose income meets the restrictions of the original homeownership program, the grant and the Deed of Trust that secured the grant may be assumed by the subsequent owner provided IHFA has given its prior written approval;
- When the grant is assumed by a qualified subsequent owner, no funds need be repaid at the time of the sale and the original principal reduction schedule continues until the end of the recapture period or until the home is sold to an unqualified owner;
- The homeowner must agree that the funds are to be disbursed, after costs have been incurred, for down payment and closing costs for the purchase of the property:

The following are events of default, which would require the homeowner to immediately repay the grant:

- IHFA determines that any of the representations of homeowner set forth in the application or any other documents pertaining to the grant were not true or correct when made,
- The homeowner does not comply with any contractual agreements entered into with the project sponsor,
- The homeowner sells the property, or
- The homeowner ceases to occupy the property as his/her principal residence.

iii. Preservation of RD Units. IHFA will be working in the coming years with banks, HUD, resident groups, and property owners to coordinate the purchase of RD properties by local area non-profit agencies using HOME funds to preserve them as affordable housing for very low-income families. Prior to the use of any HOME funds for this purpose, the HOME Department will develop guidelines required under 24 CFR 92.206(b).

Other Activities

Acquisition, Rehabilitation and Resale (ARR) Program. IHFA anticipates several projects in 2003 that will utilize HOME funds to acquire properties in targeted communities, rehabilitate the homes and sell them to income-eligible homebuyers.

CHDO Capacity Building. IHFA anticipates that approximately 11 currently certified CHDOs will apply for recertification to be eligible to apply for the \$250,000 CHDO Operating Assistance.

Lead-Based Paint Training. IHFA will continue to help locate and provide funding to train certified lead-based paint risk assessors and lead worker training. IHFA has completed a statewide training program, which reviewed lead-based paint regulations and IHFA policies and procedures for targeted properties. The training was for lenders participating in our DPCC program. IHFA will continue to monitor results of request for lead-based paint assessments and further need for training

Uniform Relocation Act. IHFA will offer training on URA throughout the state in 2003 and will target non-profit and for profit developers.)

ESG. ESG funds are distributed statewide through a competitive application process with applications due in May of each year. The selection process is completed in time for IHFA to make announcements of awards within 65 days of receipt of the signed ESG agreement from HUD. Recipients must respond within 180 days of the award to show their obligation of grant funds by returning their signed contract with a copy of their current financial audit. ESG applications are evaluated in the following areas:

- Shelter needs
- Proposed program
- Goals & objectives
- Outcome measurements
- Provider background and capacity

Projects are first rated by an Independent Review Panel (IRP) to determine a Threshold Score as defined in the ESG Program Solicitation. The IRP is comprised of community members who have knowledge and experience regarding issues of homelessness. Each member scores each application using a point system designated for this process. The individual scores for each application are averaged and the average score determines whether the project meets threshold and qualifies for funding consideration.

Agencies submitting projects that qualify for funding are provided with guidelines for preparing their Technical Submission. IHFA will review the technical submissions to determine whether activities are eligible and within ESG regulations (24CFR Section 576). Funding will be allocated based on shelter needs, agency capacity, program goals, and other areas of evaluation listed in the ESG Program Solicitation.

IHFA will work with all Project Sponsors receiving ESG awards to ensure that all contracts and assurances are properly executed in a timely manner.

Selection Process and Geographic Distribution. The ESG scoring and funding process is developed by IHFA and reviewed annually by the State Homeless Coordination Network (HCN). The HCN is a committee of members who are experienced in serving the homeless and who represent Idaho's seven regions. The HCN also includes representatives from the Idaho departments of Commerce, Health and Welfare, Education, Corrections, Labor and Veteran's Affairs as well as a formerly homeless person.

91.325 CERTIFICATIONS

(Attached to print version or available on request from hirc@ihfa.org)

91.330 MONITORING.

Introduction

The purpose of this chapter is to describe the policies and procedures that are used in Idaho to monitor activities carried out in furtherance of the Five-Year Strategic Plan and to ensure long-term compliance with requirements for the CDBG, ESG and HOME Programs.

Monitoring is an ongoing process involving continuous grantee communication and evaluation. The process involves frequent telephone contacts, written correspondence, analysis of performance reports and audits, and periodic on-site visits. These processes occur differently for each of the three programs to be discussed

Emergency Shelter Grant Monitoring

Service providers receiving an ESG grant are monitored periodically, based on the results of an annual Risk Analysis. Projects determined to be “high risk” during this reporting process are tagged for onsite visits. This visit consists of a review of applicable files, programs, and processes of the agency at risk. Areas examined include organization, conflicts of interest, insurance coverage, nondiscrimination and drug-free workplace policies, project activities and timelines, financial management and matching funds, procurement procedures, demographics, essential services, operations, homeless prevention and rehabilitation activities.

A written finding is provided to the sponsor identifying areas of noncompliance and the actions required to correct them. Prior to any further draw down of ESG funds, all findings must be resolved and documented satisfactorily. Failure to do so may result in recapture of remaining funds, repayment of expended funds or other sanctions as described in ESG Policies and Procedures, Section 4.4.

For ESG, the overall program standards that will be addressed and verified include the following:

- All Project Sponsors complete an official IHFA Annual Performance Report, according to instructions and due dates provided by IHFA
- Not less than 100% of the services provided will be services that are eligible by ESG statutes and HUD regulations
- Not less than 100% of the clients served will be eligible homeless families in accordance with HUD definition
- 100% of the funds allocated for any two-year grant period will be expended by end of said grant period, by specified deadlines provided by IHFA.
- 100% of the project sponsors will be rated by the Risk Analysis process on an annual basis to determine whether program goals and objectives have been met, and to determine whether on-site monitoring visits are warranted.

HOME Program Monitoring

IHFA ensures that recipients of HOME funds comply with the regulations through various monitoring activities. Monitoring activities include both desk and on-site reviews.

Throughout a project, IHFA is committed to ensuring compliance with federal regulations, ensuring production and accountability, and evaluating organizational and project performance.

For HOME, the overall program standards that will be addressed and verified include the following:

- All projects will meet all of the HOME statutory requirements, and will satisfy all HOME regulations in conformity with the State of Idaho Administrative Plan.
- Not less than 90% of all HOME-assisted units in rental housing projects will rent to tenants at or below the maximum HOME rent limits (65% of AMI). In addition, no less than 20% of those units will rent to tenants at or below the low HOME rent limit (50% of AMI).
- Not less than 100% of all HOME-assisted units in homeownership projects (both owner-occupied rehabilitation and down-payment closing cost assistance) will loan or grant funds to homeowners at or below 80% of AMI.
- 100% of the funds allocated for the previous two (2) program years will be committed to projects by the end of the second year.
- 100% of the funds allocated for the previous five (5) program years will be expended by the end of the fifth year.
- 100% of the CHDOs will be rated by the Risk Analysis process on an annual basis to determine whether program goals and objective have been met, and to determine whether on-site monitoring visits are warranted.

IHFA monitoring can be broken down into the three phases of a typical project: 1) application, 2) pre-construction and construction, and 3) in-service.

Monitoring steps taken during the application stage

Each application is reviewed to ensure that the applicant understands the program requirements applicable to their project. These requirements include, but are not limited to, fair housing, financial management and accountability, environmental impacts, labor standards, procurement, lead-base paint, affirmative marketing, and acquisition and relocation activities.

The goals of each project are reviewed to ensure they help meet the goals of the HOME Program Administrative Plan and the Five-Year Strategic Plan. Each applicant is required to certify that they will become familiar with the program requirements and agree to provide all required documentation. IHFA will meet with applicants to address issues and concerns regarding program requirements as needed. IHFA provides on-going technical assistance to applicants as needed.

A successful applicant will receive the following letters from IHFA:

- Conditional Reservation of Funds
- Request for Additional Information and/or Documentation
- Conditions of Commitment Letter
- Notice to Proceed - IHFA does not release the Notice to Proceed until the applicant has meet the necessary program requirements, including providing all required documentation.

Monitoring during the pre-construction/construction phase

Each recipient of HOME funding is required to execute a HOME Program regulatory agreement. The agreement is legally binding and specifies the program requirements to be followed. If requirements are not met, the project is in default and faces the loss of funding unless corrections are made to the satisfaction of IHFA.

On-site monitoring of project during the construction phase is preferred to ensure consistency with requirements and identify construction deficiencies.

Construction draws are tracked through a database to analysis spending and consistency with program time lines. This includes review of draw requests and change orders.

A portion of project funds is withheld until deficiencies, if any, have been corrected and all program reports have been submitted to IHFA's satisfaction. An exit conference is held with project sponsors to review monitoring issues and project performance prior to the release of the retainer.

Monitoring during the in-service phase

IHFA's Compliance Department conducts annual or biannual on-site reviews of rental housing projects to ensure the project sponsor maintains the following:

- Correct rent and utility allowance levels for all HOME assisted units.
- Accurate annual re-certifications of tenant income.
- Compliance with Housing Quality Standards.
- Compliance with Affirmative Marketing Requirements.
- Compliance with other requirements of the HOME Regulatory Agreement.

In addition, IHFA ensures the proper payment of loan installments and escrow deposits as required in the project's loan documents.

Record Keeping

In accordance with IHFA policy and federal requirements, IHFA has established and maintains records to enable IHFA staff, HUD, auditors, and the general public to determine the status of each HOME project as well as overall program progress and status. Records are maintained in written and electronic format and are available to the public upon request.

CDBG Monitoring

The monitoring process is divided into two components: regulatory and performance compliance. Monitoring of regulatory compliance includes review of accountability and financial management, environmental impact, labor standards, civil rights and fair housing, acquisition and relocation activities, and citizen participation.

Monitoring of performance compliance includes evaluation of project timeliness, components of eligibility and compliance with National Objectives, and an assessment of continuing capacity to carry out approved activities.

The Department of Commerce applies the following CDBG outcome standards:

at least 70% of the funds must be spent on projects that benefit Low and Moderate Income persons.

100% of the funds must be spent on eligible activities

100% of the funds must be obligated to local governments within 15 months of the receipt of grant award.

The Department also tracks funding usage by substate region to compare usage with regional needs. Usage by project type is also helpful in gauging results against project type priorities. Public Facilities; Economic Development Senior and community centers and imminent threat. A third measurement is a "return on investment" estimate to compare total CDBG funding to the local, other and private match committed to projects.

The comparison of results to the vision of the *Five-Year Plan* and the annual plans is a check of the accuracy of the plan and modifications needed for the subsequent plan.

IDC staff uses a checklist of all program components during their evaluations.

On-site Monitoring Procedure. Before conducting an on-site monitoring, IDC will notify the chief elected official by letter. The letter will advise the recipient of: a) the date of visit, b) the program areas to be monitored, and c) who should be available to discuss the process and project. IDC staff will reference the monitoring checklist to be used so the grantee can organize the files and facilitate the monitoring process. The monitoring visit will consist of:

- Review of pertinent files for required documentation, compliance with program regulations, and verification of the accuracy of information in the performance reports.
- Interviewing members of the grantee's staff and, as appropriate, sub-recipient staff to discuss the grantee's performance.
- A visit to the project site to observe activities and ensure consistency with the application.
- An exit conference with the appropriate local officials and grant administrators to review results, review overall project performance, and ensure conclusions are based on accurate information. Results of the monitoring visit will be submitted to the grantee, in writing, within thirty- days of the exit conference.

In the event a Determination of Concern, Finding of Deficient Performance or Finding of Noncompliance is indicated in the exit conference, IDC staff and the chief elected official will mutually agree as to the appropriate number of days the grantee will present documentation to address the concern, resolve the deficiencies or present a corrective action plan.

After consultation with local officials, a follow-up letter will be sent to the grantee reporting the results of the monitoring visit. Results of the monitoring visit will be identified in one of five categories:

- Determination of Compliance: Refers to full program compliance and outstanding performance.
- Determination of Concern: Refers to a performance problem unrelated to statutory requirements. A concern is identified to alert the grantee of a practice that could lead to more serious problems.
- Determination of Potential Deficient Performance: Refers to a management practice left uncorrected, will result in poor performance or violation of regulations and laws.
- Finding of Deficient Performance: Refers to a management practice that has resulted in a serious problem. A corrective action will be required to clear the finding before project closeout.
- Finding of Noncompliance: Refers to a violation of statutory or regulatory requirements. Corrective actions will be required. Possible sanctions may result from this finding.

Follow-up Actions. In the event the grantee fails to meet a target date for corrective action, a telephone call will be made and documented. A letter will be sent requesting the status of the action and warning the grantee of the possible consequences of failure to comply as provided under applicable regulations if the grantee has not responded within a prudent time period.

When the grantee's response has been received, IDC staff will review the corrective action taken. A letter will be sent to the grantee specifying needed additional action and the due date if the reviews indicate the action was not satisfactory.

At the discretion of IDC, a new due date may be established subject to good faith efforts by the grantee to resolve the finding. A follow-up visit may be necessary to verify a corrective action or to provide technical assistance. When IDC's review indicates the grantee has provided satisfactory corrective action, a letter will be sent to the grantee stating the finding(s) has cleared. All findings must be cleared before closeout.

IDC can bar a grantee from applying for ICDBG funds, withhold unallocated funds, require return of unexpended funds or require repayment of expended funds if a grantee fails to provide satisfactory corrective action.

Technical Assistance Strategies

- To conduct annual workshops on "How to Apply for an ICDBG". Workshop includes training in planning and project development.
- Community Site visits to meet with project participants and view physical site of proposed project.
- Chair the Advantage Club made of federal, state, local and private financing sources to coordinate project financing and assist communities with the technical aspects of applying and managing these funds.
- Distribute the Advantage Handbook to local communities. The Handbooks is widely distributed and contains valuable information on project development and grant resources for a wide range of community needs.
- Infrastructure planning and implementation workshops through the Gem Community Program. This program consists of a series of training in community readiness for economic development activities to rural area.
- Training on "How to Administer ICDBG Projects". The Department requires that anyone administering an ICDBG must pass an examination and become certified to have administrative capacity. The Department maintains an updated list of Certified Grant Administrators in good standing.
- Frequent communication with federal, state and local officials and staff involved in the funding and implementation of community projects.

Activities to Be Undertaken to Further Idaho's Strategic Plan

The Department will continue to implement the Rural Idaho Task Force priorities. This is done in several ways:

- On-going development of strong leadership training programs for rural leaders. Gem Community Training is on going. The Northwest Community Development Institute (NWCDI) provides community and economic development practitioners and volunteers with a formal training ground designed to address complex issues facing primarily low and moderate income persons. Topics such as Strategic Planning, Community Assessments, the Value of Diversity and Conflict Management and Negotiation provide communities with methods and techniques to make positive changes in the community.
- The NWCDI is provided annually with for those in year one, year two and year three. The training will offer, for the second year, a post-graduate course for those who have already completed the three-year program.
- The Department provides assistance for non-profits and community leaders who would not otherwise be able to participate in this training. Program evaluations continue to indicate that the training has made a significant difference in participants' communities and their approach to organizing, problem solving, etc.
- The State Rural Community Block Grant (RCBG) Program funding is a \$3 million dollar program has been effective in address site development and public facility construction needs for business expansion. Projects under this program are targeted to low and moderate-income person in Idaho. The criteria for selection are based on community distress factors, such as high unemployment and low per capita income and must target communities under 10,000 in

population. RCBG grants are more flexible than ICDBG projects, and therefore, can assist in funding activities that would normally be ineligible under the ICDBG Program. It also is an effective source of match for the ICDBG Program and in assisting with the achievement of ICDBG Program goals.

- The Department has implemented the Rural Economic Development Professional Outreach Program. Thirteen professionals have been hired to work in specific regions or pockets of distress. Communities less than 10,000 in population will be served through this program. The goal of these professionals is to work in partnership with local entities and the Department to bring new jobs and investment to rural Idaho.

Other Activities:

- The Department, in partnership with the Idaho Task force on the Americans With Disabilities Act (ADA) will assess the training needs of Section 504/ADA coordinators (ICDBG grantees). They will be evaluated so better training can be developed addressing specific areas. Material will also be developed to assist these coordinators with their responsibilities in educating local leaders and citizens in creating more accessible communities.
- The Department has completed two technical assistance handbooks that are designed to enhance and strengthen local capacity in project development and public financing strategies. *The Project Development for Rural Communities* handbook covers areas such as conducting a community needs assessment, the process of prioritizing needs, developing strategic plans, action plans and implementing these plans.
- *The Public Finance Strategies Handbook* provides information on creative and innovation financing techniques for community development projects. The development of a Capital Improvements Plan and Budget and the importance of reserve funding is also included. This project is the result of a technical assistance contract with the Association of Idaho Cities (AIC), through the ICDBG program.
- The Advantage Handbook was updated in 2003. This Handbook contains a comprehensive listing of funding resources for a variety of community projects. Grant amounts, criteria and contacts are just some of the information that will be updated. The Advantage Handbook is also posted on the Department's website Web site, as are most documents.
- The Department has contracted with the Association of Idaho Cities to provide technical assistance to cities and counties in the area of growth management, land use planning, comprehensive planning, subdivision regulation, zoning regulation, capital improvement planning and budgeting. Annexation and area of city impact. Through its various publications, AIC will make it known that technical assistance in growth management is available. Cities and counties may make a request for technical assistance by telephone, fax, Email, regular mail, or by visiting AIC.
- The Department will be developing ICDBG Rule changes for 2004. Some of these changes will be designed to support better planning and management capacity.