

2009 North Carolina Annual Action Plan

Executive Summary ^{(24 CFR91.320(b))}

This document, the 2009 Consolidated Annual Action Plan of the State of North Carolina, serves as the annual application to the U.S. Department of Housing and Urban Development (HUD) for funding for the following housing-related projects:

- \$28.7 million in Community Development Block Grant (CDBG) funds, to be administered by the Department of Commerce, Division of Community Assistance;
- \$20 million in HOME Investment Partnership Program (HOME) funds, and additional HOME match and HOME match interest income to be administered by the North Carolina Housing Finance Agency.
- \$2.5 million in Emergency Shelter Grant (ESG) funds, to be administered by the Department of Health and Human Services, Office of Economic Opportunity; and
- \$2.2 million in Housing Opportunities for Persons With AIDS (HOPWA) funds, to be administered by the Department of Health and Human Services, AIDS Care Unit.

For information regarding specific programs, please visit the organization websites:

- Department of Commerce, Division of Community Assistance - www.nccommerce.com
- North Carolina Housing Finance Agency - www.nchfa.com
- AIDS Care Unit – www.epi.state.nc.us/epi/hiv/aidscares2.html
- Office of Economic Opportunity - www.ncdhhs.gov/oeo

State Objectives: The state realizes it cannot meet all of the housing need, but it can strategically invest its limited resources to alleviate important housing problems for North Carolina's households.

The state has three (3) basic goals:

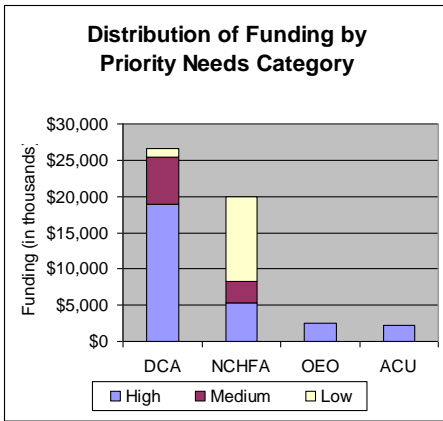
1. To provide decent and affordable housing
2. To provide a suitable living environment
3. To expand economic opportunity

The primary means through which these goals are achieved is the provision of affordable housing. Each agency operates programs that help to fulfill these goals, while meeting housing and service-related needs statewide.

Evaluation of Past Performance

The State of North Carolina evaluates its performance annually in meeting the goals of the strategic plan and the action plan. The North Carolina Consolidated Annual Performance & Evaluation Report (CAPER) is submitted to HUD on March 31 of each year; this is 90 days after the close of the Consolidated Plan Partner program year. The most recent past performance and evaluation reports can be downloaded from the DCA website at <http://www.nccommerce.com/en/CommunityServices/CommunityDevelopmentGrants/CommunityDevelopmentBlockGrants/ConsolidatedPlanningProcess/>.

Expected Outcomes: Of the total funding for housing activities to be undertaken in 2009, 34% (\$18,115,000) of the funding is targeted to the high priority needs, 40% (\$19,626,000) is targeted to the medium priority needs, and 26% (\$12,959,000) is targeted to the low priority needs. The anticipated distribution of funding by agency and by priority need category is shown in the chart.



Summary of Citizen Participation and Consultation Process

Citizen Participation

The State of North Carolina has developed a North Carolina Consolidated Plan Citizen Participation Plan. This plan is a guidance document to ensure and encourage public participation throughout the Consolidated Planning Process. It sets forth the State’s policies and procedures for citizen participation. The plan can be downloaded from the DCA website at <http://www.nccommerce.com/en/CommunityServices/CommunityDevelopmentGrants/CommunityDevelopmentBlockGrants/ConsolidatedPlanningProcess/>.

Consultation Process

The State of North Carolina has developed a North Carolina Consolidated Plan Consultation Plan. This plan is a guidance document describing our state process for consulting with other public and private agencies that provide assisted housing, health services, and social and fair housing services. Input from these consultations is incorporated into our consolidated planning process.

1. Sources of Funds: ^{(24 CFR91.320(c)(1)(2))}

North Carolina's Housing Resources

This year, the State proposes to assist over 4,100 households and 36,000 homeless individuals and families through the four Department of Housing and Urban Development programs that fund the construction/rehabilitation of housing units, home buyer assistance for existing housing, rental assistance and some housing-related services. These 4 programs are:



- **The Small Cities Community Development Block Grant Program (CDBG)**

The State expects to issue grants totaling approximately \$28.7 million in CDBG funds for housing related activities in 2009.

The HOME Investment Partnerships Program (HOME) The State expects to receive \$20 million in HOME funds.

- **The Emergency Shelter Grants Program (ESG)**

The State expects to receive \$2.5 million in ESG funds during 2009.

- **Housing Opportunities for Persons With AIDS Program (HOPWA)**

The State expects to receive \$2.2 million in HOPWA funds during 2009.

To conduct housing-related activities, the State uses nonfederal as well as federal funds. The available funding sources can be categorized as follows:

<u>Federal</u>	<u>State</u>	<u>Other Resources</u>
<ul style="list-style-type: none">▪ Community Development Block Grant Program (CDBG)▪ Emergency Shelter Grants Program (ESG)▪ HOME Investment Partnership Program (HOME)▪ Housing for Persons with AIDS Program (HOPWA)	<ul style="list-style-type: none">▪ North Carolina Housing Trust Fund (HTF) and HOME Match funds appropriated by the General Assembly▪ HPPP – Housing Protection Pilot Program appropriated by the General Assembly▪ State Tax Credits	<ul style="list-style-type: none">▪ Housing Credits▪ Mortgage Credit Certificates▪ Mortgage Revenue Bonds

North Carolina rarely funds 100% of any development. Rather, it attempts whenever possible to leverage investment from local governments, nonprofit organizations, for profit developers, and private investors.

Matching Requirements

The table below lists the federal and/or state matching funds requirements for each of the programs.

Program	Federal Matching Requirement	State Matching Requirement
CDBG	The State is required to provide an annual 1:1 match for federal administrative funds. The requirement is met by the State paying non-CDBG staff salaries.	Community Revitalization applications are rated for local commitment, though no local match is required for funding. In the Economic Development Program, all local governments except Tier 1 counties are required to provide a 25% match for the grant. A 5% match is required for Infrastructure grants, though that is waived for 21 st Century Communities. New language has been adopted by the General Assembly. DCA is reviewing impacts to the CDBG Program and will make all necessary adjustments.
ESG	The State is required to match Emergency Shelter Grant funding received annually with an equal amount of funding from other sources. This requirement is passed to state grant recipients as allowed by ESG program regulations.	Each grantee must match the funding provided by the State with an equal amount of funds or voluntary efforts.
HOME	25% match required. This is a requirement of the State as a Participating Jurisdiction but it is not passed on to recipients under the State programs that are funded with HOME. Some of the State's required match is appropriated by the General Assembly. The NCHFA provides the rest of the match.	There is no match requirement imposed by the State.
HOPWA	There are neither federal nor state match requirements for this program.	

2. Statement of Specific Annual Objectives ^{(24 CFR91.320(c) (3))} and Affordable Housing: ^{(24 CFR91.320 (g))}

Housing Activities to be undertaken

The three tables “One-Year Affordable Housing Goals & Objectives” show how the four core programs are having an impact on the needs of the state. The tables provide the anticipated households assisted and funding amounts (in thousands of dollars) allocated for each activity type, need type, and priority category. In reviewing the tables, it is important to recognize that the state considered strategic investment of its limited resources through its programs, as well as the appropriateness of the resources available to address the priority need categories. The following table gives the data requested for areas: Statement of Specific Annual Objectives the agency expects to achieve as well as the Affordable Housing one year goals for the number of households to be provided affordable housing.

One-Year Affordable Housing Goals & Objectives

Goals by Activity Type - §91.320(g)		
Activity Type	Anticipated Households Assisted*	Anticipated Funding in \$000s
Rental Assistance	237	\$4,879
Production of New Units	816	\$12,406
Rehabilitation of Existing Units	556	\$32,190
Acquisition of Existing Units	120	\$3,104
Other Activities Not Specified Above	3,933	\$1,001
Total	5,662	\$48,702

Goals by Special Needs - §91.320(g)		
Need Type	Anticipated Households Assisted*	Anticipated Funding in \$000s
Homeless	0	\$0
Non-Homeless	1,792	\$48,700
Special Needs***	3,633	\$2
Total	5,425	\$48,702

Annual Objective by Priority - §91.320(c)(3) & §91.320(d)		
Priority	Anticipated Households Assisted*	Anticipated Funding in \$000s
High Priority		
Homeless Families & Individuals	0	\$0
Non-homeless Persons with Special Needs***	3,633	\$2
Renters (Earning 0-30% of MFI in Urban Areas; or 0-50% of MFI in Rural Areas)	76	\$1,945
Existing Homeowners (Earning 0-30% of MFI in Urban Areas; or Elderly Owners Earning 0-50% of MFI in Rural Areas)	333	\$14,170
Medium Priority		
Renters (Earning 31-50% of MFI in Urban Areas; or 31-50% of MFI in Rural Areas)	168	\$3,436
Existing Homeowners (Earning 31-50% of MFI in Rural Areas; or Non-Elderly Earning 0-50% MFI in Rural Areas)	468	\$16,190
Lower Priority		
Renters (Earning 51-80% of MFI in Urban Areas; or 61-80% of MFI in Rural Areas)	66	\$1,545
Existing Homeowners Earning 51-80% of MFI	41	\$1,590
Potential Homebuyers Earning 30-80% of MFI whose needs are not met by the market	640	\$9,824
Total	5,425	\$48,702

*Households is defined as households, individuals or units assisted.

Note: Each table represents the same total funding amount categorized by distinct goals and objectives as outlined by HUD regulations.

***'Special Needs' is defined as persons with disabilities, low-income elderly persons, and persons with HIV/AIDS.

3. Outcome Measures: (24 CFR91.320 (e))

Uniform performance measures have been developed by HUD. The Consolidated Plan Partners have chosen appropriate performance measures for their specific programs. The following are the performance measures for North Carolina HUD-funded programs by Agency, category, objective, and outcome.

Outcome -->	Availability/ Accessibility	Affordability	Sustainability
Objective -->	Suitable Living Environment		
	Decent Housing		
	Creating Economic Opportunities		

CDBG objectives and outcomes are specific to each program category. The category with corresponding objective and outcome are provided here.

Categories	Objective	Outcome
Community Revitalization	Providing Decent Housing	Sustainability
Small Business & Entrepreneurial Assistance	Creating Economic Opportunities	Availability
Urgent Needs	Creating Suitable Living Environment	Sustainability
Scattered Site Housing	Providing Decent Housing	Sustainability
Infrastructure Hook-Ups	Creating Suitable Living Environment	Sustainability
Infrastructure	Creating Suitable Living Environment	Sustainability
Housing Development	Providing Decent Housing	Affordability
IDAs	Providing Decent Housing	Affordability
Economic Development	Creating Economic Opportunities	Availability

For all HOME-funded activity, the objective category is “decent affordable housing” and the outcome category is “affordability”.

ESG objectives and outcomes are to ensure the provision of emergency and/or transitional housing, essential services, and or/homeless prevention services.

The outcome and objective for the HOPWA Program is to provide decent, safe and affordable housing for persons living with HIV/AIDS and their families.

4. Allocation Priorities: (24 CFR91.320(d)(f))

Funds will be made available through both competitive and open funding cycles. Funds will be allocated both statewide and regionally within the state based on each region's housing needs, as documented in the *North Carolina Housing Market Analysis & Needs Assessment* in the *2006-2010 Strategic Consolidated Plan*. See the “One-Year Affordable Housing Goals & Objectives” Tables for the allocation priorities and proposed distribution of funds to address those needs.

Geographic Distribution

Each program has a unique method of geographic distribution. The funding for the Community Development Block Grant Program is directed to non-entitlement communities across the state. The program funding through the Emergency Shelter Grants Program, the HOME Program, and the HOPWA Program is distributed statewide. The HOPWA Program is directed to non-entitlement communities across the state.

5. Homeless and other Special Needs ^{(24 CFR91.320(h))}

The State addresses the needs of the homeless and other special needs persons through administration and funding of numerous programs. The State addresses emergency shelter and transitional housing needs of homeless individuals and families to prevent them from becoming homeless with the Emergency Shelter Grants Program (ESG), the Supportive Housing Development Program (funded in part with HOME), and the Key Program (funded in part with HOME Match) through the provision of grants and loans to develop and operate emergency, transitional or supportive housing. ESG also helps to combat chronic homelessness through the provision of preventive programs and activities. The State addresses the needs of those who are not homeless through the Supportive Housing Development Program (SHDP), Key Program and Housing Opportunity for Persons with AIDS Programs (HOPWA). SHDP helps partners develop permanent and transitional housing for persons with disabilities, Key provides rental subsidies to persons with disabilities, and HOPWA provides supportive services, resource identification and other assistance to persons with HIV/AIDS.

6. Barriers to Affordable Housing ^{(24 CFR91.320(i))}

The Analysis of Impediments to Fair Housing Choice, completed in 2006, summarizes barriers to affordable housing and is available to the public. The Housing Coordination and Partnership Council advises the Governor and General Assembly on barriers to affordable housing in North Carolina, and the Housing Partnership, the oversight board of the State's Housing Trust Fund, considers barriers to housing in the allocation of state resources. In carrying out their regular programs and funding cycles, the Consolidated Plan Partners continue to promote the removal of barriers to affordable housing.

7. Other Actions: ^{(24 CFR91.320(j))}

Below, each Agency describes other activities they will undertake to implement the strategic plan.

Department of Commerce, Division of Community Assistance

The DCA has designed its eight grant programs to increase local activities that identify and reduce barriers to fair and affordable housing in areas receiving CDBG funding and that support development of soundly designed affordable rental and single-family housing. The Division continues to target investments toward distressed rural areas and high priority small cities through the Commerce Department's 21st Century Communities Program, Urban Progress (UP) and Agrarian Growth (AG) Zones, and distressed counties.

The DCA's Individual Development Account (IDA) program assists with homeownership for residents of households that are below 80 percent of MHI. The Capacity Building program helps nonprofits develop projects and apply for funding in partnership with their local government.

The DCA will continue to work with governmental and non-governmental groups to enhance coordination and to serve on statewide boards and councils, as well as reviewing plans submitted by housing agencies and public housing authorities in order to certify consistency with the Consolidated Plan.

The Division is prepared to react to severe economic crises such as plant closings and severe economic crises by coordinating economic recovery plans and implementing recovery activities. In response to severe natural or other disasters, the Division is prepared to react to meet the urgent needs of our state's communities.

The DCA continues to encourage local governments to be involved with lead-based paint removal programs and to work with agencies that are established to mitigate the problem. The Division offers training workshops and courses throughout the year to assist local governments and service providers in better understanding DCA programs and requirements, as well as working with the UNC Institute of Government to provide a community development certificate training program for grant administrators.

North Carolina Housing Finance Agency (NCHFA)

The North Carolina Housing Finance Agency strives to meet underserved housing needs by ensuring that its products and programs are widely disseminated to all areas of the State (including difficult-to-serve urban areas and underserved rural areas), by researching housing needs and obstacles, and by staffing boards concerned with eliminating those obstacles. Among its many efforts directed towards providing housing for persons whose needs are not met by the market, the Agency's leverages Low Income Housing Tax Credits with State and federal funding. In addition, the Agency provides rehabilitation loans to enable aging rental developments to remain in the affordable housing stock. The Agency operates the "Lead Abatement Partnership Pool" to assist low-income owners with lead-poisoned children. It also ensures all HOME-funded activity is in compliance with HUD lead regulations. Much of the Agency's work has the implicit long-term goal of reducing the number of families in poverty. All of the Agency's programs are targeted towards households earning below 80% AMI, and several serve those below 30% AMI almost solely. The Agency fund transitional and permanent housing for the homeless and non-homeless persons with special needs, many of whom are in poverty. In addition, the Agency has three initiatives aimed at preventing homeowners who have lost their jobs from losing their homes to foreclosure.

The Agency offers a variety of trainings and informational sessions for partners who wish to increase their knowledge of industry and Agency guidelines. These trainings strengthen all entities involved, improving their ability to provide affordable housing to those in need, and improving the institutional structure in the State. Several of the Agency's trainings and programs are operated in coordination with other public and private entities, including USDA-Rural Development, Habitat for Humanity, the Department of Energy, Duke Energy, Advanced Energy and NC Home Builders. Further, the Agency participates on the Housing Coordination and Policy Counsel, the Housing Partnership, and the Interagency Coordination Council for Homeless Programs, and is involved in a number of local and regional conferences and forums. The Agency is also coordinating funding efforts for NCHousingSearch.org, a free website listing affordable rental housing opportunities statewide. The Agency will continue funding rental developments that are connected to public housing authorities' Family Self-Sufficiency programs, and providing financing for homebuyers from Family Self-Sufficiency programs that participate in the Agency's homebuyer programs. The Agency will provide technical assistance on real estate financing issues for PHAs designated as troubled by HUD upon request by the PHA. It will also disseminate information about its affordable homeownership programs widely so as to reach as many public housing residents and other North Carolina residents as possible.

AIDS Care Unit

The HOPWA Program provided a training on the CAPER to its funded agencies and informed its agencies that this document will replace the HOPWA Questionnaire used by the state in the past. The agencies are informed of housing meetings conducted by the NC Housing Coordinators within the various regions. The information provided at the meetings includes how to access Low Income Housing Tax Credits and Fair Housing trainings. All Family Care Homes funded through the HOPWA program must submit upon request a signed copy of the lead based acknowledgement form. For any household with children under 6 years old it is mandatory that the lead base acknowledgement form be signed, dated, and included in the client file.

Office of Economic Opportunity

The Emergency Shelter Grants Program is making progress to automate grantee reporting requirements. An agreement with the Carolina Homeless Information Network (CHIN) allows grantees to submit mid-year and annual performance reports electronically. This advancement has proven to be beneficial for grantees and the Office of Economic Opportunity.

Emergency Shelter Grants Program staff have committed to providing on-going technical assistance to homeless program providers by increasing the number of on-site visits and monitoring of programs. The Emergency Shelter Grants Program intends to highlight homeless providers that have unique approaches to serving homeless persons. In addition, the Emergency Shelter Grants Program will also highlight homeless providers that have made great strides in reducing the number of homeless persons in their communities. Providers that effectually reduce homelessness and partner with other agencies to meet local initiatives of the 10 Year Plan to End Homelessness will serve as a best practice model for other homeless providers.

7. Program Report ^{(24 CFR 91.320 (k))}

CDBG Program ^{(91.320 k(1))}

Administered by the North Carolina Department of Commerce, Division of Community Assistance, the CDBG Program provides grants to non-entitlement local governments for projects that enhance the viability of communities by providing decent housing and suitable living environments and by expanding economic opportunities, principally for persons of low- and moderate-income.

North Carolina expects to receive approximately \$45,000,000 in CDBG funds. Of this amount, \$28,700,000 will be made available for the following housing-related programs: Community Revitalization, Scattered Site Housing, and Housing Development. In addition, other funds may become available as a result of additional HUD allocations, recapture, reversion, or carry-over of prior year funds and program income. The state makes these funds available through grants to non-entitlement governments statewide.

Investment Plan – 2009 Distribution			
Community Revitalization			\$13,000,000
Small Business			\$1,000,000
Scattered Site			\$13,200,000
Infrastructure			\$5,140,000
	General Improvements	(\$4,140,000)	
	Water and Sewer Connections	(\$1,000,000)	
Housing Development			\$1,500,000
	Rental and Homeowner Development & Tax Credit Projects		
	Individual Development Account		
Economic Development			\$8,710,000
Urgent Needs/Contingencies			\$1,000,000
Administration			\$1,000,000
Technical Assistance			\$450,000
2009 HUD Grant to State			\$45,000,000

Note: The Capacity Building category will be funded through projected program income receipts in 2007-2009 as funds become available.

Method of Distribution

The purpose of this section is to describe the method of distributing CDBG fund categories. CDBG projects will be awarded from several funding sources:

- New 2009 funds according to the investment plan above.
- Funds from earlier disbursements recaptured or de-obligated from prior Community Revitalization, Infrastructure, Scattered Site, demonstration category grants, funds recaptured from Economic Development projects and funds not otherwise distributed from the above categories may be awarded to qualifying applications in either Community Revitalization, Infrastructure, or Urgent Needs.
- Any Scattered Site funds not awarded may be awarded to qualifying applications in Community Revitalization, Infrastructure, Urgent Needs, or as supplemental Scattered Site Housing funds to previous qualified applicants.
- Any recaptured or de-obligated Housing Development or Individual Development Account funds from previous disbursements, and any Housing Development funds not awarded will be available for Individual Development Account grants, if needed. If not, funds may be awarded to qualifying applications in Community Revitalization, Infrastructure, or Urgent Needs.
- Any non-revolving loan Economic Development funds from previous disbursements and Economic Development funds not awarded may be distributed to projects in the Urban Redevelopment program, if needed. Any non-revolving loan Economic Development or Urban Redevelopment funds not awarded may be used to provide funds for economic development activities through non-profit agencies in partnership with local governments. If any funds remain at the conclusion of this cycle, funds may be awarded to qualifying applications in either Community Revitalization or Infrastructure.
- Program income received in prior years will be available for the Capacity Building category on an available basis. Any unused program income may be awarded to qualifying applications in either Community Revitalization or Infrastructure.
- Funds not awarded in Urgent Needs/Contingency may be awarded to qualifying applications in either Community Revitalization or Infrastructure.

Threshold Requirements and Selection Criteria by Program Category

The grant size limits, threshold requirements, selection criteria, and selection process, when applicable, are summarized here for each CDGB program. A more detailed description of requirements and criteria is provided in the application guidelines for each CDGB program category.

Competitive categories usually prescribe selection criteria and selection processes for each program, whereas non-competitive categories prescribe specific review criteria.

All categories except Urgent Needs, Capacity Building, and Scattered Site Housing must meet some type of threshold requirements. All except the above exempt categories plus any demonstration projects may not receive awards or have applications under consideration for more than a total of \$1,250,000 from a fiscal year's allocation to the state.

Community Revitalization (CR) grants help improve or develop residential areas for low and moderate income households. Awards for CR in will be made to the highest ranking communities among those applications received. As part of H.B. 1414, the General Assembly in 2004 approved a regional distribution plan that divides the state into four regions and assigns each region a percentage of the funds dedicated to the CR

category annually. Funds not allocated in one region may be reallocated to another if there are an insufficient number of qualified applicants at the end of the program year.

CR projects will be selected on a competitive basis for a one year funding cycle of up to \$1,000,000 (up to \$850,000 for Basic Grant (housing, water/sewer, streets, and drainage) and \$851,000 - \$1,000,000 for Basic plus Innovative Grant (CR housing, community centers, parks, etc.). Closeout documentation for previous grants must be received on-time and any problems identified must be resolved. Applications will be rated and ranked first, and sorted by region once all applications have received final scores. Scoring selection criteria correspond to values that total to a maximum score of 1000 points. The selection criteria and associated score for projects are as follows. Further explanation is available in the application guidelines.

<u>Selection Criteria</u>	<u>Score</u>
Severity of Needs in Project Area	200
Meeting a National Objective: Benefit to Low and Moderate Income Persons	300
Local Commitment of Funds and Community Efforts	200
Treatment of Needs in Project Area	200
Appropriateness and Feasibility of Proposed Project Activities	<u>100</u>
Total Points	1000

Small Business & Entrepreneurial Assistance (SBEA) grants help develop a coordinated effort for assisting the existing small business/ entrepreneurial sector. SBEA projects will be selected on a competitive basis for a 24-30 month funding cycle. Four to six grants of \$150,000 to \$250,000 from the \$1 million total funding will be awarded to the State’s most distressed local governments (i.e., applicants must be Tier 1 and/or 21st Century Communities). Application are rated and ranked using the selection criteria as follows. Further explanation is available in the application guidelines and on the website of the DCA.

<u>Selection Criteria</u>	<u>Score</u>
Appropriateness and Feasibility of Business Activities	300
Appropriateness of Plan for Creating an Entrepreneurial Environment	300
Local Commitment and Community Partnerships	200
Timely and Effective Public Participation	100
Grant Administration Capacity and Past Performance	<u>100</u>
Total Points	1000

Scattered Site Housing (SSH) grants will be made to local county governments on a rotating basis to address housing needs of very low income families throughout the county. County governments can receive \$400,000 every 3 years with funds targeted to very low-income homeowners for rehabilitation or relocation purposes. Counties submit a detailed plan that includes all interested municipalities within the county describing how funds will be distributed to meet housing needs. Scattered Site Housing applicants may request that up to ten percent of funds be set aside for local option to undertake emergency repairs or repair/replace on-site well and/or septic systems.

Those counties that accomplish their goals and exhaust funds within two years are eligible to receive up to an additional \$100,000 to continue activities allowed in the SSH category subject to funding availability.

Selection Criteria for Scattered Site Housing awards include: community need; community impact; project design; financial feasibility; distribution plan: and participation process.

Infrastructure (IF) An estimated total of \$5.14 million will be available in the Infrastructure category. Eligible local governments may obtain grants of up to \$750,000 to provide new infrastructure (public water and/or

public sewer) to existing residential neighborhoods to correct problems that pose a severe health or environmental risk. In an effort to address needs in 21st Centuries Communities, half of the total IF funds will be available to local governments in the 21st Century Communities on an open-ended basis. The other half of the funds will be available to all eligible local governments.

Applicants with one or more current grants in any category except economic development must meet financial or closeout requirements as specified in the grantee's performance based contract and in the closeout schedule for each grant fiscal year. Problems with previous grants must be resolved.

Criteria for IF awards include: severity of needs; benefit to low and moderate income persons; local commitment; treatment of needs; and appropriateness and feasibility.

DCA will give priority for funding to projects as listed below:

21st Century Communities Pool

Priority will be given first to water projects and second to projects that propose a regional solution providing all eligibility and benefit requirements are met.

Regular Pool

Funding priorities will be given first to regional balance, second to water projects and third to projects that propose a regional solution providing all eligibility and benefit requirements are met. In addition, local governments will be required to display a high state of readiness in the application for IF funds. Projects should be ready to begin as soon as possible after receiving CDBG funds.

Infrastructure Hook-Up

Grants will be made available to eligible local governments applying on a first-come, first-serve basis for the Infrastructure Hook-Up Program. This program constitutes \$1 million of the total infrastructure allotment. Eligible activities include costs and fees associated with connecting lower income families to existing water or sewer lines.

Eligibility of grantees in previous grant cycles and proper closeouts of previous grant cycles apply. 100% LMI benefit must be shown on a benefit form. Applications will be accepted in an open window cycle in a 2-step process until allocated funds are depleted or until a specified date.

Applicants must be on a list and have a reservation of funds in order to submit an application. Applications are reviewed in the order submitted and review criteria include conformity with basic criteria to apply and eligible activities. A balanced distribution of program funds will also be considered as a factor in making awards.

Economic Development (ED) Economic Development (ED) This category will continue the policy of providing higher levels of funding to the most economically distressed areas of the state. The following considerations will be included for job creation and retention projects during the 2009 program year: 60% of the jobs created or retained in a project must benefit persons qualifying as prior low and moderate income (LMI). Funding for Economic Development projects is based on the number of jobs to be created or retained and the level of distress in the community applying for the funds. Areas with higher distress rankings, based on the North Carolina Tier rating system, are eligible for more funds per job created. Additional CDBG funding per job is available for projects proposed to be located in a current 21st Century Communities as designated by the Secretary of Commerce.

CDBG funds are granted to local governments for various types of infrastructure improvements to assist business expansion or retention. A local funding match of at least one dollar for every three CDBG dollars is required except for the 25 most distressed counties as ranked for the Article 3J Tax Credits legislation and current 21st Century Counties. In a secondary priority to infrastructure projects and at the discretion of the Secretary of Commerce, direct financial assistance to private companies is available as loans to be negotiated by the local government applicant and a participating North Carolina commercial bank at a level not to exceed 50% of the bank loan. Repayment of the loan by the private company becomes program income to the State and is deposited into a CDBG economic development revolving loan fund (RLF). Funding from the RLF is available only as loans.

Loans for industrial shell buildings are available from the RLF based on the projected number of jobs to be created and the level of distress in the community. These loans will be at a 2% interest rate with a maximum term of 5 years. A dollar for dollar match is required by the local government applicant for an industrial shell building. Also, up to \$500,000 will be set aside in the RLF for counties in Tiers 1-3 as loans to assist with the costs associated with certifying industrial sites. These grants are repaid after the certified site is sold or within five years of award.

Certain threshold requirements apply, including: \$1.25 million cap for the yearly funding cycle; expenditure levels of open grants; and proper closeout of previous grants.

Housing Development (HD) grants administered by DCA will focus on the creation of multi-unit rental developments and provide support for homeownership activities for low and moderate-income families. Local governments in Tier 1, municipalities that have UP or AG zones, and 21st Century communities will receive preference for HD funds. The HD allocation will be divided into two funding pools: Homeownership and Rental Housing.

Threshold Requirements: In order to be rated for funding, each applicant must meet certain minimum requirements: demonstration of adequate capacity; \$1,250,000 cap; create 51% of all units for households below the area median income and maintain for 20 years; document other sources of funding; work with CBDO and complete an appraisal for projects with CDBG funded land acquisition.

Selection Criteria: Applicants will be rated according to the following criteria:
Project Design – 85%; and Benefit to LMI Persons – 15%.

In the event there are not enough funds to make an award to all applicants, the following will also be considered: cost effectiveness; sound growth principles; location of project; capacity; and project furthers Consolidated Plan priorities.

For Tax Credits, the threshold requirements and selection criteria are the same. Only projects that are receiving tax credits for multi-unit rental developments through the NCHFA can receive these funds.

Rental Housing (\$1,000,000)

Multi-unit Development

Funds will be provided for rental developments. Eligible uses of CDBG funds include installation of public infrastructure (water and sewer lines are automatically eligible for funding; streets, sidewalks and drainage may be funded on a case by case basis), the removal of hazardous material, acquisition of vacant land (by an eligible non-profit) or vacant **historic** buildings (by an eligible non-profit or for-profit developer), and certain

rehabilitation activities (on a case-by-case basis)The maximum grant is \$250,000 with a \$6,000 per unit maximum.

Homeownership (\$800,000)

Single-family Housing

Funds will be available for assisting single-family housing developments up to \$250,000. Eligible uses of CDBG funds include installation of public infrastructure (water, sewer, streets, sidewalks and drainage), the removal of hazardous material, and vacant land acquisition by an eligible non-profit or housing counseling. There is an \$18,000 per unit assistance maximum for single-family projects.

Individual Development Account (IDA)

These funds provide match for down payment assistance or closing costs to qualified first-time low and moderate-income homebuyers. The maximum funding is \$70,000 per project and the program is non-competitive. IDAs are funded in 2007 by a \$200,000 set aside from the HD line item and from de-obligated HD funds from previous years.

IDA grants are available only for first-time homeownership. The grant cycle is on a first-come, first-serve basis. The application requires community-based partnerships with established track records and trusting relationships in serving disadvantaged constituencies. The following services must be provided to participants: credit reporting and counseling, financial literacy, homeownership education, and housing counseling. Review criteria includes: organizational capacity, goals and objectives, and project feasibility/readiness.

Urgent Needs (UN) grants are to be used to help meet community development needs that: (1) have arisen during the preceding 18-month period, (2) pose an imminent threat to the health or safety of the community, (3) the applicant does not have sufficient local resources, (4) where other financial resources are not available to meet such needs. Due diligence will be conducted to determine whether projects meet the above 4-part test. Urgent Needs grants will be available on an as needed basis, or until funds are exhausted. Projects will generally be funded on a first request basis. If more requests are made for funding than is currently available, the Secretary of Commerce may choose to fund the project that resolves the more serious situation, regardless of the order of submission of requests.

Contingency grants may fund eligible projects to meet community development needs that 1) were not funded under a program category, or 2) for activities identified as high priority, subject to fund availability.

Capacity Building (CB) Capacity Building

Capacity Building (CB) grants of up to \$75,000 will be made available to local governments to assist established non-profit organizations with steady and reliable income streams develop appropriate and competitive CDBG projects and gain functional capacity in a new and different role. The total amount of funds available for this non-competitive program will not exceed \$600,000. Funds are available on a first-come-first serve basis with priority going to local governments from 21st Century Communities, Tier 1 Counties, and UP or AG Zones. A CB grant is expected to result in a future application in one of the CDBG categories. Funds for CB grants will be made available from program income. Eligible activities include planning and administration.

In 2009, 21st Century Communities are eligible to apply for funds through the Community Enhancement Initiative in partnership with East Carolina University (ECU). This partnership, which is a direct result of a Memorandum of Understanding between the UNC System and the Department of Commerce, will enable local

governments to leverage community economic development personnel, products and expertise of ECU through the CDBG CB program.

Selection criteria include previous CDBG experience, feasibility of the project to result in a future CDBG application and financial feasibility of the non-profit to carry out the project and any future

The NC Development Loan Fund (NCDLF), also known as the Section 108 Loan Guarantee Program, pledges future CDBG allocations as security for loans in accordance with the HUD Section 108 Loan Guarantee Program Final Rule published November 6, 1991. Applications may be submitted at any time during the year, as long as funds are available from HUD.

The maximum loan is \$5 million. The state may enter into loan guarantee agreements in support of projects sponsored by individual local governments with a minimum loan of \$750,000 or in support of loan pools of two or more projects supported by local governments with a minimum of \$250,000. Projects must meet minimum criteria with respect to equity, collateral and underwriting standards. The Department of Commerce is currently evaluating the Section 108 program to see if changes should be recommended.

Technical Assistance (TA) funds are used to develop the professional skills and capabilities of local community development grant administrators. Each year, DCA and the University of North Carolina at Chapel Hill's Institute of Government present a 5-day Community Development Academy for grant administrators. Participants that complete the course and pass an exam receive a certificate of completion, indicating knowledge of community development topics. In addition, funds are used to hold a variety of workshops and seminars throughout the year, taught by DCA staff and others.

HOME Investment Partnerships (HOME) Program ^{(91.320 k(2))}

Administered by the North Carolina Housing Finance Agency, the HOME Program will provide financing to nonprofit housing organizations, for-profit developers, lead regional organizations and local governments to increase the availability of standard, affordable housing in North Carolina.

- i. In addition to administering the \$20 million allocation of HOME, NC Housing Finance Agency also administers the State's Housing Trust Fund, Low Income Housing Tax Credits, State Tax Credits, Home Protection Program, Mortgage Credit Certificates and Mortgage Revenue Bonds. In the past, the NCHFA has also administered American Dream Downpayment Initiative (ADDI) funds; however due to projected federal funding changes, the State does not expect to receive ADDI funds in 2009.
- ii. Resale/Recapture Provisions

Housing rehabilitation loans under the Single Family Rehabilitation Program will be provided as forgivable, forgiven at \$3,000 per year over the life of the loan.

Home buyer loan subsidies available under the New Homes Loan Pool, IDA Loan Pool and Downpayment Assistance Program will be provided as subordinate deferred-payment loans that are not forgiven. Home buyer loans under the Self-Help Loan Pool will be provided as principal-only amortizing loans. Loans under all home buyer programs will be due and payable (1) when the property is sold, (2) when the property is no longer the home buyer's principal residence, (3) at the end of the loan term, or (4) when the first mortgage is refinanced. If the net proceeds of the sale of the property are insufficient to repay the home buyer loans in full, the Agency will accept its pro rata share of the net proceeds in full satisfaction of the loan.

- iii. HOME funds are not used for refinancing of existing debt, even in developments rehabilitated with HOME funds.
- iv. ADDI Program
At this time, the Agency does not expect to receive an ADDI allocation for the period of the 2009 Action Plan due to projected federal funding changes. If ADDI funds become available, they may be used for the Agency's New Homes Loan Pool and IDA Loan Pool.
- v. Additional information not required by 24 CFR 91

Consortia

In 2009, the North Carolina Housing Finance Agency will not approve additional HOME Consortia, if doing so will result in a net loss of HOME funds to the State.

Tenant Based Rental Assistance

Starting in 2002, NCHFA partnered with the NC Department of Health and Human Services (DHHS) to facilitate the inclusion of persons with disabilities and the homeless within LIHTC properties. As part of this partnership, LIHTC applicants committed to targeting 10% of the units in their developments to persons with disabilities. To support this commitment, developers partner with local lead agencies in the preparation and implementation of Targeting Plans. These plans outline how the property will work with the agencies to make these units available.

In order to make the targeted units affordable, NCHFA and DHHS expanded their partnership in 2004 to create the Key Program. This program provides a bridge subsidy for households on disability income who have not yet received a Section 8 Housing Choice Voucher. Through this award-winning program, the

Agency is able to assist in providing stable and affordable housing for these high priority populations. This program will continue to be funded in part by HOME Match funds in 2009.

Affirmative Marketing

The State has adopted procedures consistent with the requirements of affirmative marketing under 24 CFR Part 92.351(a) and (b). Recipients and subrecipients of HOME funding must certify that they have developed and adopted affirmative marketing procedures for HOME-assisted housing containing five or more units. In both rental and home ownership situations, the Agency works to address impediments to administering the HOME Program. In addition, the Agency reviews marketing plans as part of its application review process and provides training to rental property managers on a regular basis.

Minority Outreach

NCHFA has conducted outreach to both recipients of HOME awards and businesses contracted by those recipients. Language encouraging the use of minority- and women-owned businesses is included in either the commitment letter or program guidelines of HOME-funded programs involving contractors. Further, the NC Office for Historically Underutilized Businesses maintains a website of minority- and women-owned businesses, services, and suppliers, and provides comprehensive and continuing assistance to support them. The Agency encouraged HOME recipients in construction programs to utilize the Department of Administration's online search tool to find contractors. In addition, the Agency contacted the contractors and subcontractors of which it is aware and encouraged them to list their businesses on this search tool.

ESG Program^{(91.320 k(3))}

North Carolina's process for distributing ESG funding is non-competitive. Pre-applications for funding are distributed to previous ESG contractors, county managers, community action agencies, and other interested agencies, organizations, and individuals in December of 2006.

Pre-applications are used to determine an applicant's eligibility for ESG funding according to set criteria. An eligible applicant must:

- Document its process for verifying that clients served meet the HUD definition of "homeless"
- Operate the emergency and/or transitional shelter facility for which funding is requested for at least one year prior to the date of application;
- Operate the emergency and/or transitional facility for which funds are requested for a minimum of six full months out of the year;
- Operate a safe and sanitary facility (if a shelter is a 24 hour or night only facility which: -
 - if a 24 hour or Night Only facility, has an average daily occupancy (ADO) of at least six homeless persons nightly; or
 - if a Day Only facility, has an APSD (average number of person served daily) of at least 30 persons per day; and provides one or more of the essential services defined by the U.S. Department of Housing and Urban Development.
- Have an established accounting system that provides for maintenance of ESG funds in accordance with OMB Circulars A-110 and A-122;
- Have a voluntary board of directors of at least five members;
- Have the ability to expend ESG funds budgeted for Operations and/or Services within 365 days and ESG funds budgeted for Homeless Prevention within 180 days;
- Have acceptable resources to match the ESG funding received;
- Involve to the maximum extent possible homeless person in maintaining and operating facilities assisted under the ESG Program; and

- In the case of private, non-profit organization, have the endorsement of the unit of local government in the community in which the emergency or transitional shelter is located.]

Program staff review Pre-applications in February of 2008 and notify potential contractors to submit an application in March 2008. Once applications are approved and the agreement between the NC Department of Health and Human Services and the US Department of Housing and Urban Development is in place, contracts are executed.

Program Evaluation and Monitoring

All FY 2008 ESG contractors will be subject to on-going monitoring throughout the term of the grant. The primary methods of monitoring will include:

- Review of mid-year and end of year contractor performance reports
- Review of contractor monthly financial status reports
- Review of monthly Average Daily Occupancy (ADO) and Unduplicated Occupancy
- Periodic on-site monitoring, including review of randomly selected case files; and
- On-going telephone contact with contractor staff.

HOPWA Program ^{(91.320 k(4))}

In 2009, funds will be awarded based on a continuation application. The AIDS Care Unit will review applications from HOPWA Project Sponsors to fund and support eligible HOPWA activities under HUD's 24 Code of Federal Regulations Part 574. The eligible activities addressed in the continuation applications will reflect the critical issues and recommendations from the 2004 needs assessment process conducted by AIDS Housing of Washington and the HOPWA Needs Assessment Steering Committee in collaboration with the HIV/STD Prevention and Care Branch. The availability of resources to fund programs for each eligible activity will also be considered. This funding represents the third year of a three-year funding cycle based on the 2005 competitive allocation process.

The following overarching considerations apply to HOPWA funded applicants:

1. Funds should be distributed throughout the State, both in urban and rural areas within the 92 counties served by the state HOPWA Program.
2. HOPWA-funded programs should be client centered.
3. Agencies must demonstrate knowledge of HIV/AIDS issues and develop protocols to ensure confidentiality.
4. Agencies must indicate their willingness to actively collaborate with HIV Care Consortia, community-based organizations, AIDS service organizations and other community organizations and agencies to establish a referral network.
5. Agencies must ensure that clients receiving HOPWA funds have access to a case manager and a housing care plan.
6. Agencies must demonstrate their ability to meet HUD and local housing quality standards relating to habitability and access.

7. Agencies must have the financial and programmatic capabilities to manage a housing program per federal and state regulations, policy and guidance.
8. Agencies must serve clients at or below 80% of median family income level.

The AIDS Care Unit will conduct an internal review of project sponsors' continuation applications. This process will include a review of budget and budget justification narrative, service delivery plan, history of providing service, etc.

The AIDS Care Unit is required by the Division of Public Health to monitor the programmatic and fiscal responsibilities of all HOPWA Project Sponsors. Based on the contractual agreement, the scope of work of each Sponsor's contract outlines the performance monitoring measures for HOPWA Project Sponsors. This includes the following:

- Submission of quarterly reports to the AIDS Care Unit detailing qualitative and quantitative activities.
- Attendance at mandatory meetings sponsored by the AIDS Care Unit.
- Submission of an annual program report detailing HOPWA activities. This information must be submitted to the HOPWA Administrator by September 11, 2009 for submission to HUD as part of the State's HOPWA Integrated Disbursement Information System (IDIS) reporting requirements.
- Site visits to the agency.
- Review of monthly contract expenditure reports and monthly detailed expenditure reports. Additionally, performance monitoring will be based on the timely submission of monthly expenditure reports with supporting documentation

Performance monitoring is documented for each Project Sponsor in writing and maintained in an agency notebook.

8. Monitoring (24 CFR 91.330)

Each of the Consolidated Plan Partners has plans for monitoring and ensuring compliance in their own programs. These plans may include elements such as site-visits, file reviews, interviews with residents, and reviews for compliance with federal and state regulations (such as Davis-Bacon and Fair Housing requirements). The monitoring plans vary by program and funding source.

9. Certifications (24 CFR 91.325)

Each Agency hereby submits signed certifications consistent with the certification requirements of HUD. [Each Agency will prepare their certifications and submit to DCA for inclusion with the final action plan]