

Rental Programs Policy

The City of Durham Community Development Department (CDD) receives funding from the US Department of Housing and Urban Development (HUD) and from the City of Durham to carry out activities that support affordable housing. This section of the CDD Policy Manual addresses all Rental Programs funded by the City of Durham.

The Rental Programs Policy will cover the following programs:

1. Multi-Family Rental, [New Construction](#) and [Preservation](#)
2. [Co-living Housing](#)
3. Small Project Development, [New Construction](#) and [Preservation](#)
4. [Affordable Housing Bonus](#)

Each program will be discussed following the same format of topics with funding requirements addressed in each topic. If a project has City and HUD funds, HUD requirements will prevail. If a project has two different forms of HUD funds, both sets of requirements must be met. All policies in this manual are subject to the discretion of the Director of the Community Development Department.

Definitions

Area Median Income (AMI) means the metric calculated by the U.S. Department of Housing and Urban Development (HUD) to determine the income eligibility requirements of federal housing programs. The City uses the same metric for City-funded housing programs.

City Funds means all funding that the City of Durham Community Development Department administers. City Funds can include HUD funds, City funds or other funding that the City has received.

Community Based Development Organization (CDBDO) is generally a nonprofit organization that undertakes specific kinds of CDBG-funded activities. CDBDOs can be for-profit or nonprofit organization but cannot be governmental entities. A CDBDO may be designated as a subrecipient under CDBG. CDBDOs are described as 24 CFR 570.204(a).

Developer Fee is a fee charged by the developer as a part of the project cost to compensate for the risk, time and effort to build and sell or lease the property. Developer Fees are allowed as project cost. Developer Fee caps are set for each type of project in this section.

Fixed Units means that the City-funded units in a development do not change. The units originally identified in the contract as City-funded units do not change during the Period of Affordability.

Floating Units means that a development will have City-funded units and units not funded by the City. The units originally set as City-funded units in the contract can change during the Period of Affordability as long as the Unit Mix does not change.

High HOME units mean units that are assigned a rent limit that does not exceed the published High HOME limit. High Home rents are affordable to families at 60% AMI. The City follows HOME rent limits on all rental projects, except for those projects that only have local funds and LIHTC, in which case, LIHTC rents will be follow.

Low Barrier means that developers make their units available to as many low-income individuals and families as possible. Low Barrier requires property management staff to review information provided in criminal, credit and background checks and not disqualify tenants due to non-violent charges, old evictions and other factors that would normally disqualify a tenant.

Low HOME units mean units that are assigned a rent limit that does not exceed the published Low HOME limit. Low Home rents are affordable to families at or below 50% AMI. The City follows HOME rent limits on all rental projects, except for those projects that only have local funds and LIHTC, in which case, LIHTC rents will be follow.

Low Income Housing Tax Credit (LIHTC) is another funding source used by affordable housing developers that provides a tax incentive to construct or rehabilitate affordable rental housing for low-income households. LIHTC projects that only have local funds and no Federal funds will defer to tax credit requirements for rent limits and maximum per unit subsidies.

Multi-Family means five or more units in a single building or five or more single-family attached units on the same or contiguous lots.

Naturally Occurring Affordable Housing (NOAH) are properties that maintain affordable rents without local or Federal subsidy.

Period of Affordability means the period of time that a development must remain affordable and follow the requirements laid out in the agreement and the Policy Manual.

Unit Mix means the number and type of City-funded affordable units, including the number of High and Low HOME rents, in a development. The Unit Mix must remain the same during the Period of Affordability. For example, a development has 50 total units and 20 are affordable City-funded units. Of those units, 16 units are City-funded High Home units, with a mix of 8 one-bedroom and 8 two-bedroom units, and 4 are City-Funded Low HOME units, all one-bedroom, then the development must maintain that mix of High HOME and Low HOME and one- and two-bedroom units during the Period of Affordability.

Programs

1. **Multi-Family Rental Program.** Multi-family is defined to be five or more units in a single building or five or more single-family attached units on the same or contiguous lots. The Multi-Family Rental Program contains both new construction and preservation projects. New Construction and Preservation will each be discussed separately.

1.1. New Construction.

1.1.1. Funding.

- 1.1.1.1. **Funding Sources.** The CDD will primarily utilize City Funds and HOME Investment Partnership Program funds (HOME) for this program. HOME requires that a portion of its allocation be set-aside for Community Housing Development Organizations (CHDOs). HOME CHDO funds are also available for these programs as long as the applicant is an approved CHDO. CDBG funds can be used for infrastructure to support new construction and could be used for new construction if the organization applying is a Community Based Development Organization (CBDO) and Housing Opportunities for Persons With AIDS (HOPWA) could be used as well. CDBG and HOPWA are not traditional funding sources for Multi-Family Rental New Construction. CDBG will be discussed for infrastructure and HOPWA will not be discussed in the topics.
- 1.1.1.2. **Funding Types.** Funds will be available for this program through a Request for Proposal (RFP) cycle. RFP cycles will be announced on the CDD website and sent out to the CDD listserv. To be added to the CDD listserv, please contact CommunityDevelopment@durhamnc.gov and provide your contact information. CDD will also consider projects that are special funding requests. Special funding requests are discussed in ____ in the Policy Manual.
- 1.1.1.3. **Eligible Applicants.** Applicants that are eligible to apply for funding for Multi-Family Rental are non-profit and for-profit developers. Developers must have experience with development and management of affordable housing. The City encourages partnerships for developers new to affordable housing. The Housing Authority of the City of Durham (DHA) and their subsidiary, Development Ventures Incorporated (DVI) are also eligible for this type of project. Applicants must provide audited financials or, if audited financials aren't required, financial statements prepared by a CPA.
- 1.1.1.4. **Eligible Projects.** Developers must be able to demonstrate site control for all proposed sites at time of application. CDD will accept an Option to Purchase, Agreement of Sale or a document that shows you can close on a parcel. Must create at least 5 new rental units affordable to households at or below 60% AMI. Projects must accept rental assistance, including (but not limited to) Section 8 Housing Choice Vouchers, HUD VASH Vouchers, and Durham

Homelessness Continuum of Care Rental Assistance for the duration of the Period of Affordability.

1.1.1.5. Eligible Uses. City Funds may be used to support property acquisition, new construction, and green and/or energy efficiency upgrades. Infrastructure to support new construction developments is also eligible. Funds may not be used to pay for work completed prior to funding award or contract execution.

1.1.2. Financing. The CDD will utilize the following factors when reviewing projects.

1.1.2.1. Maximum Per Unit Subsidy. The Maximum Per Unit Subsidy is the most the CDD can subsidize a unit.

- **City and CDBG Funding.** The City will require a proforma to be completed for each project at application and will determine the per unit subsidy max on a case-by-case basis, taking into account the geographic location, the number of bedrooms and the target income level.
- **HOME Funding.** Under HOME funding, CDD must follow the HUD Section 234-Condominium Housing basic mortgage limits, for elevator-type projects for maximum per unit subsidy maximum. The HUD Greensboro Field Office publishes these limits and distributes to Grantees. The City will follow the limits that are in effect at the time of contract execution. CDD’s HOME Subsidy Layering Policy can be found here(link) and provides guidance for reviewing and approving HOME per unit subsidy requests.
- **LIHTC Funding.** LIHTC projects funded only with local funds and no Federal funds will follow LIHTC maximum per unit subsidy guidelines.

1.1.2.2. Loan vs. Grant. The CDD prefers to provide loans for Multi-Family Rental New Construction Programs. The Loan can be forgivable or a low-interest loan. CDD does have the option to use a grant instead of a loan, but that decision is made on a case-by-case basis at the discretion of the CDD Assistant Director for Strategy. Each property will have a deed restriction to enforce affordability.

1.1.2.3. Developer Fee. The Developer Fee is capped at \$13,500 per unit with a maximum fee of \$1,350,000 for Multi-Family Rental New Construction projects.

1.1.3. Development Requirements. The development requirements are the factors the CDD will use when reviewing applications for funding.

1.1.3.1. Site Quality. CDD will review the project for conformance with the City’s zoning and development requirements, in addition to HUD-specified review factors, which include:

- The adequacy of the site for the proposed improvements.
- The adequacy of utilities to service the site.

- The availability of street to service the site.
- The suitability of the development in meeting the City’s housing goals and policies.
- The proposed project’s conformance with the City’s development and design standards for assisted housing.
- The suitability of the site and neighborhood for furthering compliance with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and their implementing HUD regulations.
- The site must not be located in an area of minority concentration, except as permitted under the first two bullets below. A project may be located in an area of minority concentration only if:
 - Sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration.
 - The project is necessary to meet overriding housing needs that cannot be met in that housing market area.
 - The site must promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.
 - The neighborhood must not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.
 - The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents.
 - Except for new construction housing designed for elderly persons, travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for lower-income workers, must not be excessive.

To assist in determining compliance with the site and neighborhood standards, the City will require that the developer submit a Site and Neighborhood Standards Analysis with their proposal, performed in conformance with the requirements of 24 CFR 986.57(e). The City will review the analysis to determine compliance with HUD project siting requirements.

- 1.1.3.2. **Site Location.** Sites should be located, when possible, in desirable areas, including areas with access to amenities, services and transit. Sites should not be in largely commercial areas, areas lacking amenities within walking distance or in an area with environmental concerns. If site is located in an area with environmental concerns, a plan for addressing them should be in place prior to application. Additional points or requirements for specific target areas may be included in RFPs.
- 1.1.3.3. **Access.** Site shall be accessible through legal right-of-way. Site should also be accessible to amenities such as grocery stores, bus stops, pharmacies, etc.
- 1.1.3.4. **Green Building.** Applicants must obtain a sustainable building certification from one of the following third-party entities or approved third-party entity by CDD: Energy Star Multifamily, Enterprise Green Communities, Earthcraft Multifamily, Green Building Initiative, Green Building Council’s LEED Multifamily. Due to the various revision cycles for each of these programs, the project must comply with the version in effect at the time the drawings are prepared for permit review.
 - **Minimum Documentation.** Draft scoring sheet for the development that includes both the expected score and minimum score required for certification criteria selected.
- 1.1.3.5. **Materials and Building Standards.** Reserved.
- 1.1.3.6. **Inspections and Monitoring.** The City’s Inspections Department will complete inspections related to any permits. Project completion inspections will be completed by the Project Manager or City Representative throughout the construction process. See Inspections under Compliance in the Policy Manual. Projects will also be subject to monitoring by CDD prior to contract closeout to ensure compliance with City and Federal rules and contract requirements.
 - **Federal Funds.** All projects funded with Federal funds are subject to the requirements at 2 CFR 200 including procurement, Davis Bacon and labor standards and Section 3. See Compliance Policy for further details.
 - **City Funds.** Projects with local funds and no Federal funds will follow City procurement guidelines and must meet City participation requirements for minority and women owned business as well as small disadvantaged businesses. See Compliance Policy for further details.
- 1.1.4. **Household Selection.**
 - 1.1.4.1. **Set Asides.** At least 20% of units must be set-aside for households earning 30% and below Area Median Income (AMI). Units with Project Based Vouchers (PBV) will be counted toward the 20%. In addition, all project must accept Housing Choice Vouchers (HCV) for the duration of the Period of Affordability.

- 1.1.4.2. Target and Priority.** The City’s Affordable Housing Plan has identified families earning 50% and below as the target population.
- 1.1.4.3. Income Limits.** Tenants must initially qualify at 60% or below AMI using the HUD Part 5 Income Definition. After initial certification of income, a tenant’s income may rise over 60% AMI.
- **CDBG Funds (Infrastructure Only).** Under CDBG, at least 51% of units must be occupied by families earning 80% or below AMI. Initial tenant income qualification must follow the Tenant Selection Plan for Preservation projects.
 - **HOME Funds.** Under HOME funds, a tenant’s income may rise over 60% AMI and still be eligible for the unit. Once the tenant’s income reaches 81% of AMI and higher, the tenant will no longer be eligible for the subsidy. For Floating Units, the tenant’s rent will be raised to Fair Market Rent (FMR) with no utility allowance and the next available unit must be rented to an eligible tenant to meet Unit Mix requirements. For Fixed Units, the tenant’s rent will be raised to 30% of the tenant’s adjusted gross income with no utility allowance. See Period of Affordability in the Compliance section in the Policy Manual.
 - **City Funds.** Under City Funds, a tenant’s income may rise over 60% AMI and still be eligible for the unit. Once the tenant’s income reaches 81% AMI, the tenant is no longer eligible for the subsidy. For Floating Units, the tenant’s rent will be raised to Fair Market Rent (FMR) with no utility allowance and the next available unit must be rented to an eligible tenant to meet Unit Mix requirements. For Fixed Units, the tenant’s rent will be raised to 30% of the tenant’s adjusted gross income with no utility allowance.
 - **LIHTC Funds.** City-funded LIHTC projects with local funds and no Federal funds will follow LIHTC rules once a tenant’s income reaches over 80% AMI.
- 1.1.4.4. Existing Tenants.** Does not apply to Multi-Family New Construction.
- 1.1.4.5. Relocation.** Does not apply to Multi-Family New Construction.
- 1.1.4.6. Selection Plan.** The developer must have a selection plan submitted with the application for funding. The selection plan must be Low Barrier in order to serve as many low-income individuals and families as possible. The selection plan must follow the requirements of the Compliance Policy in the Policy Manual and be approved by the CDD prior to lease-up.
- **HOME funds.** The selection plan must comply with 24 CFR 92.252 in addition to the requirements of the Compliance Policy in the Policy Manual.
 - **LIHTC Funds.** CDD will accept selection plans approved by the North Carolina Housing Finance Agency (NCHFA) for LIHTC projects.

1.1.5. Project Requirements.

1.1.5.1. Period of Affordability. The minimum Period of Affordability for Multi-Family New Construction projects is 30 years. A Request for Proposal (RFP) may offer additional points if the developer chooses to use a longer Period of Affordability.

1.1.5.2. Affirmative Marketing. All projects are required to have an Affirmative Marketing Plan. The plan should identify ways to reach individuals that would not normally apply for subsidized units. The plan must meet requirements in the City's Affirmative Marketing Plan. See Administration Policy in the Policy Manual.

1.1.5.3. Market Study. Generally, market studies will be required for projects with fifty (50) or more units and may be required for smaller projects. The study will need to be completed within 60 days of project award.

- **HOME funds.** All projects with HOME funding are required to have a market study completed and must follow the requirements in the City's HOME Subsidy Layering Policy ([link](#)).

1.2. Preservation. Multi-family Rental Preservation Projects are projects that are exiting their Period of Affordability or are naturally occurring affordable housing that need improvements or gap financing to continue to provide affordable housing.

1.2.1. Funding.

1.2.1.1. Funding Sources. The CDD will utilize City Funds, Community Development Block Grant (CDBG) funds and HOME Investment Partnership Program funds (HOME) for this program. HOME requires that a portion of its allocation be set-aside for Community Housing Development Organizations (CHDOs). HOME CHDO funds are also available for these programs as long as the applicant is an approved CHDO. Housing Opportunities for Persons With AIDS (HOPWA) could be used as well, but is not a traditional funding sources for Multi-Family Rental Preservation and will not be discussed in the topics.

1.2.1.2. Funding Types. Funds will be available for this program through a Request for Proposal (RFP) cycle. RFP cycles will be announced on the CDD website and sent out to the CDD listserv. To be added to the CDD listserv, please contact CommunityDevelopment@durhamnc.gov and provide your contact information. CDD will also consider projects that are special funding requests. Special funding requests are discussed in ____ in the Policy Manual.

1.2.1.3. Eligible Applicants. Applicants that are eligible to apply for funding for Multi-Family Rental are non-profit and for-profit developers. Developers must have experience with development and management of affordable housing. The City encourages partnerships for developers new to affordable housing. The Housing Authority of the City of Durham (DHA) and their subsidiary, Development Ventures Incorporated (DVI) are also eligible for this type of project. Applicants must provide audited financials or, if audited financials aren't required, financial statements prepared by a CPA.

1.2.1.4. Eligible Projects. Developers must be able to demonstrate site control for all proposed sites at time of application. CDD will accept an Option to Purchase, Agreement of Sale or a document that shows you can close on a parcel. Projects must create new affordable units (by income restricting existing market-rate units) or extend the affordability period of existing income-restricting units. Projects cannot have received City of Durham grant or loan funds in the last five years. Extenuating circumstances may be approved on case by case basis. Projects must accept rental assistance, including (but not limited to) Section 8 Housing Choice Vouchers, HUD VASH Vouchers, and Durham Homelessness Continuum of Care Rental Assistance for the duration of the Period of Affordability.

1.2.1.5. Eligible Uses. City Funds may be used to support property acquisition, property rehabilitation, property refinancing that results in the creation of at least 5 new affordable units, and green and/or energy efficiency upgrades.

Funds may not be used to pay for work completed prior to funding award or contract execution.

1.2.2. Financing. The CDD will utilize the following factors when reviewing projects.

1.2.2.1. Maximum Per Unit Subsidy. The Maximum Per Unit Subsidy is the most the CDD can subsidize a unit.

- **City and CDBG Funding.** The City will require a proforma to be completed for each project at application and will determine the per unit subsidy max on a case-by-case basis, taking into account the geographic location, the number of bedrooms and the target income level.
- **HOME Funding.** Under HOME funding, CDD must follow the HUD Section 234-Condominium Housing basic mortgage limits, for elevator-type projects for maximum per unit subsidy maximum. The HUD Greensboro Field Office publishes these limits and distributes to Grantees. The City will follow the limits that are in effect at the time of contract execution. CDD’s HOME Subsidy Layering Policy can be found here(link) and provides guidance for reviewing and approving HOME per unit subsidy requests.
- **LIHTC Funding.** LIHTC projects funded only with local funds and no Federal funds will follow LIHTC maximum per unit subsidy guidelines.

1.2.2.2. Loan vs. Grant. The CDD prefers to provide loans for Multi-Family Rental Programs. The loan can be forgivable or a low-interest loan. CDD does have the option to use a grant instead of a loan, but that decision is made on a case-by-case basis at the discretion of the CDD Assistant Director for Strategy. Each property will have a deed restriction to enforce affordability.

1.2.2.3. Developer Fee. The Developer Fee is capped at 10% of hard and soft costs for Multi-Family Rental Preservation projects.

1.2.3. Development Requirements. The development requirements are the factors the CDD will use when reviewing applications for funding.

1.2.3.1. Site Quality. CDD will review the project for conformance with the City’s zoning and development requirements, in addition to HUD-specified review factors, which include:

- The adequacy of the site for the proposed improvements.
- The adequacy of utilities to service the site.
- The availability of street to service the site.
- The suitability of the development in meeting the City’s housing goals and policies.
- The proposed project’s conformance with the City’s development and design standards for assisted housing.
- The suitability of the site and neighborhood for furthering compliance with Title VI of the Civil Rights Act of 1964, the Fair

Housing Act, Executive Order 11063, and their implementing HUD regulations.

- The site must not be located in an area of minority concentration, except as permitted under the first two bullets below. A project may be located in an area of minority concentration only if:
 - Sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration.
 - The project is necessary to meet overriding housing needs that cannot be met in that housing market area.
 - The site must promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.
 - The neighborhood must not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.
 - The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents.
 - Except for new construction housing designed for elderly persons, travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for lower-income workers, must not be excessive.

To assist in determining compliance with the site and neighborhood standards, the City will require that the developer submit a Site and Neighborhood Standards Analysis with their proposal, performed in conformance with the requirements of 24 CFR 986.57(e). The City will review the analysis to determine compliance with HUD project siting requirements.

- 1.2.3.2. Site Location.** Sites should be located, when possible, in desirable areas, including areas with access to amenities, services and transit. Sites should not be in largely commercial areas, areas lacking amenities within walking distance or in an area with environmental concerns. If site is located in an area with environmental concerns, a plan for addressing them should be in place prior to application. Additional points or requirements for specific target areas may be included in RFPs.

- 1.2.3.3. Access.** Site shall be accessible through legal right-of-way. Site should also be accessible to amenities such as grocery stores, bus stops, pharmacies, etc.
- 1.2.3.4. Green Building.** Project must comply with Energy Star Green Building standards to the extent possible as approved by the City.
- 1.2.3.5. Materials and Building Standards.** A Physical Needs Assessment or write-up from a licensed General Contractor shall be provided within sixty (60) days of conditional award to support cost estimate. Upon completion of the rehabilitation work, the property must meet or exceed the City’s Minimum Housing Standard or the NC State Building Code, whichever is applicable. The rehabilitation of existing properties must generally extend the useful life of the property by 20 years. Rehabilitation of any buildings built prior to 1978 must comply with the federal lead-based paint requirements, including lead screening in accordance with 24 CFR Part 92.355 and 24 CFR Part 35, subpart A, B, J, K, M and R.
- 1.2.3.6. Inspections and Monitoring.** The City’s Inspections Department will complete inspections related to any permits. Project completion inspections will be completed by the Project Manager or City Representative throughout the construction process. See Inspections under Compliance in the Policy Manual. Projects will also be subject to monitoring by CDD prior to contract closeout to ensure compliance with City and Federal rules and contract requirements.
 - **Federal Funds.** All projects funded with Federal funds are subject to the requirements at 2 CFR 200 including procurement, Davis Bacon and labor standards and Section 3. See Compliance Policy for further details.
 - **City Funds.** Projects with local funds and no Federal funds will follow City procurement guidelines and must meet City participation requirements for minority and women owned business as well as small disadvantaged businesses. See Compliance Policy for further details.

1.2.4. Household Selection.

- 1.2.4.1. Set Asides.** At least 20% of units must be set-aside for households earning 30% and below Area Median Income (AMI). Units with Project Based Vouchers (PBV) will be counted toward the 20%. In addition, all project must accept Housing Choice Vouchers (HCV).
- 1.2.4.2. Target and Priority.** The City’s Affordable Housing Plan has identified families earning 50% and below as the target population.
- 1.2.4.3. Income Limits.** Tenants must initially qualify at 60% or below AMI, or the income specified in the application, using the HUD Part 5 Income Definition. Preservation projects with current tenants must follow Section 1.2.4.4 – Existing Tenants for initial income certification. After initial certification of income, a tenant’s income may rise over 60% AMI.

- **CDBG Funds.** Under CDBG, at least 51% of units must be occupied by families earning 80% or below AMI. Initial tenant income qualification must follow the Tenant Selection Plan for Preservation projects.
- **HOME Funds.** Under HOME funds, a tenant’s income may rise over 60% AMI and still be eligible for the unit. Once the tenant’s income reaches 81% of AMI and higher, the tenant will no longer be eligible for the subsidy. For Floating Units, the tenant’s rent will be raised to Fair Market Rent (FMR) with no utility allowance and the next available unit must be rented to an eligible tenant to meet Unit Mix requirements. For Fixed Units, the tenant’s rent will be raised to 30% of the tenant’s adjusted gross income with no utility allowance. See Period of Affordability in the Compliance section in the Policy Manual.
- **City Funds.** Under City Funds, a tenant’s income may rise over 60% AMI and still be eligible for the unit. Once the tenant’s income reaches 81% AMI, the tenant is no longer eligible for the subsidy. For Floating Units, the tenant’s rent will be raised to Fair Market Rent (FMR) with no utility allowance and the next available unit must be rented to an eligible tenant to meet Unit Mix requirements. For Fixed Units, the tenant’s rent will be raised to 30% of the tenant’s adjusted gross income with no utility allowance.
- **LIHTC Funds.** City-funded LIHTC projects with local funds and no Federal funds will follow LIHTC rules once a tenant’s income reaches over 80% AMI.

1.2.4.4. Existing Tenants. Developers should income certify all existing tenants prior to application. Depending on funding source, the Developer may have to determine a plan for relocating tenants whose incomes do not meet the qualification.

- **CDBG Funds.** For Multi-Family Rental Preservation projects funded with CDBG funds, the City has the following policy:
 - HUD HOME Income and Rent Limits will be used for income determination and rent setting.
 - Subrecipient must complete an income determination for each current household and the household must certify their income prior to the execution of the funding agreement.
 - Only 51% of households must be at or below 80% AMI. Households that are over 80% AMI or the income listed in the application will be considered temporarily non-compliant until the household vacates the unit. Once the

current household vacates the unit, the next tenant must meet the income and unit mix requirements.

- **HOME Funds.** For Multi-Family Rental Preservation projects funded with HOME funds, the City has the following policy:
 - HUD HOME Income and Rent Limits will be used for income determination and rent setting.
 - Subrecipient must complete an income determination for each current household and the household must certify their income prior to the execution of the funding agreement.
 - If current tenants do not meet the income qualification, the tenants will need to be relocated prior to construction. The Uniform Relocation Assistance and Real Property Acquisition Act (URA) will apply.
 - All HOME funded occupied units in a project must have income-qualifying tenants at the end of construction.
- **City Funds.** For Multi-Family Rental Preservation projects funded with City-funds, the City has the following policy:
 - HUD HOME Income and Rent Limits will be used for income determination and rent setting.
 - All tenants must be informed via a written notice that the development has been purchased by the developer for affordable housing. Notice must be provided within thirty (30) days of contract execution and must be documented for each current household.
 - Subrecipient must complete an income determination for each current household and the household must certify their income prior to the execution of the funding agreement.
 - Current tenants that are 81% AMI and higher are non-compliant and will have until the end of their lease or one (1) year, whichever is longer, to vacate the unit. If a tenant is mid-lease, a lease for the remainder of the year may be signed and the one-year lease requirement will be waived.
 - Tenants will be considered temporarily non-compliant and may remain in the unit until they move out. Once the over-income tenant moves out, an income-qualifying tenant must be moved in.

1.2.4.5. Relocation. Preservation projects will require some form of relocation. The City encourages following its Anti-Displacement Policy (see Administration in Policy Manual). City funded projects do not trigger the Uniform Relocation and Property Acquisition Act (URA), but CDBG and HOME-funded projects do. If the project will require relocation, CDD recommends setting up a meeting prior to RFP response to review the procedure and requirements. See Relocation policy in the Compliance section of the Policy Manual.

- **CDBG Funds.** Temporary Relocation does not trigger URA, but displacement due to not meeting income eligibility or temporary relocation lasting longer than 1 year does trigger URA. Temporary relocation does have standards and requirements that must be met. See Relocation in Compliance in Policy Manual.
- **HOME Funds.** Temporary Relocation does not trigger URA, but displacement due to not meeting income eligibility or temporary relocation lasting longer than 1 year does trigger URA. Temporary relocation does have standards and requirements that must be met. See Relocation in Compliance in Policy Manual.
- **City Funds.** Current tenants that are not income eligible to remain in unit will not be eligible for relocation funded by the City. Current tenants that are income eligible and must be relocated for the work could be eligible for relocation as part of the project cost, if included in the budget submitted with the application.

1.2.4.6. Selection Plan. The developer must have a selection plan submitted with the application for funding. The selection plan must be Low Barrier in order to serve as many low-income individuals and families as possible. The selection plan must follow the requirements of the Compliance Policy in the Policy Manual and be approved by the CDD prior to lease-up.

- **HOME funds.** The selection plan must comply with 24 CFR 92.252 in addition to the requirements of the Compliance Policy in the Policy Manual.
- **LIHTC Funds.** CDD will accept selection plans approved by the North Carolina Housing Finance Agency (NCHFA) for LIHTC projects.

1.2.5. Project Requirements.

1.2.5.1. Period of Affordability. The minimum Period of Affordability for Multi-Family Preservation projects is 20 years. A Request for Proposal (RFP) may offer additional points if the developer chooses to use a longer Period of Affordability.

1.2.5.2. Affirmative Marketing. All projects are required to have an Affirmative Marketing Plan. The plan should identify ways to reach individuals that would not normally apply for subsidized units. The plan must meet requirements in the City’s Affirmative Marketing Plan. See Administration Policy in the Policy Manual.

- 1.2.5.3. Market Study.** Generally, market studies will be required for projects with fifty (50) or more units and may be required for smaller projects. The study will need to be completed within 60 days of project award.
- **HOME funds.** All projects with HOME funding are required to have a market study completed and must follow the requirements in the City's HOME Subsidy Layering Policy ([link](#)).

2. Co-Living – To be added at a later date

- 3. Small Project Rental Program.** Small Project is defined to be less than five units in a single building. Five or more units in a single building or five or more single family attached units on contiguous lots are considered to be Multi-Family. The Small Project Rental Program contains both new construction and preservation projects. New Construction and Preservation will each be discussed separately.

3.1. New Construction.

3.1.1. Funding.

- 3.1.1.1. Funding Sources.** The CDD will utilize City Funds and HOME Investment Partnership Program funds (HOME) for this program. HOME requires that a portion of its allocation be set-aside for Community Housing Development Organizations (CHDOs). HOME CHDO funds are also available for these programs as long as the applicant is an approved CHDO. CDBG funds can be used for infrastructure to support new construction and could be used for new construction if the organization applying is a Community Based Development Organization (CBDO) and Housing Opportunities for Persons With AIDS (HOPWA) could be used as well. CDBG and HOPWA are not traditional funding sources for Multi-Family Rental New Construction. CDBG will be discussed for infrastructure and HOPWA will not be discussed in the topics.
- 3.1.1.2. Funding Types.** Funds will be available for this program through a Request for Proposal (RFP) cycle. RFP cycles will be announced on the CDD website and sent out to the CDD listserv. To be added to the CDD listserv, please contact CommunityDevelopment@durhamnc.gov and provide your contact information. CDD will also consider projects that are special funding requests. Special funding requests are discussed in ____ in the Policy Manual.
- 3.1.1.3. Eligible Applicants.** Applicants that are eligible to apply for funding for Small Project Rental New Construction are non-profit and for-profit developers. Developers must have experience with development and management of affordable housing. The City encourages partnerships for developers new to affordable housing. The Housing Authority of the City of Durham (DHA) and their subsidiary, Development Ventures Incorporated (DVI) are also eligible for this type of project. Applicants must provide audited financial statements or financial statements prepared by a CPA.
- 3.1.1.4. Eligible Projects.** Developers must be able to demonstrate site control for all proposed sites at time of application. CDD will accept an Option to Purchase, Agreement of Sale or a document that shows you can close on a parcel. Projects must accept rental assistance, including (but not limited to) Section 8 Housing Choice Vouchers, HUD VASH Vouchers, and Durham Homelessness Continuum of Care Rental Assistance for the duration of the Period of Affordability.

- 3.1.1.5. Eligible Uses.** City Funds may be used for property acquisition, new construction and green and/or energy efficiency upgrades. Infrastructure to support new construction of small projects is also eligible. Funds may not be used to pay for work completed prior to funding award or contract execution.
- 3.1.2. Financing.** The CDD will utilize the following factors when reviewing projects.
- 3.1.2.1. Maximum Per Unit Subsidy.** The Maximum Per Unit Subsidy is the most the CDD can subsidize a unit.
- **City and CDBG Funding.** The City will require a proforma to be completed for each project at application and will determine the per unit subsidy max on a case-by-case basis, taking into account the geographic location, the number of bedrooms and the target income level.
 - **HOME Funding.** Under HOME funding, CDD must follow the HUD Section 234-Condominium Housing basic mortgage limits, for elevator-type projects for maximum per unit subsidy maximum. The HUD Greensboro Field Office publishes these limits and distributes to Grantees. The City will follow the limits that are in effect at the time of contract execution. CDD’s HOME Subsidy Layering Policy can be found here([link](#)) and provides guidance for reviewing and approving HOME per unit subsidy requests.
- 3.1.2.2. Loan vs. Grant.** The CDD prefers to provide loans for Small Project Rental New Construction Programs. The loan can be forgivable or a low-interest loan. CDD does have the option to use a grant instead of a loan, but the decision is made on a case-by-case basis at the discretion of the CDD Assistant Director for Strategy. Each property will have a deed restriction to enforce affordability.
- 3.1.2.3. Developer Fee.** The Developer Fee is capped at 12%for Small Project Rental New Construction projects.
- 3.1.3. Development Requirements.** The development requirements are the factors the CDD will use when reviewing applications for funding.
- 3.1.3.1. Site Quality.** CDD will review the project for conformance with the City’s zoning and development requirements, in addition to HUD-specified review factors, which include:
- The adequacy of the site for the proposed improvements.
 - The adequacy of utilities to service the site.
 - The availability of street to service the site.
 - The suitability of the development in meeting the City’s housing goals and policies.
 - The proposed project’s conformance with the City’s development and design standards for assisted housing.

- The suitability of the site and neighborhood for furthering compliance with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and their implementing HUD regulations.
- The site must not be located in an area of minority concentration, except as permitted under the first two bullets below. A project may be located in an area of minority concentration only if:
 - Sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration.
 - The project is necessary to meet overriding housing needs that cannot be met in that housing market area.
 - The site must promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.
 - The neighborhood must not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.
 - The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents.
 - Except for new construction housing designed for elderly persons, travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for lower-income workers, must not be excessive.

To assist in determining compliance with the site and neighborhood standards, the City will require that the developer submit a Site and Neighborhood Standards Analysis with their proposal, performed in conformance with the requirements of 24 CFR 986.57(e). The City will review the analysis to determine compliance with HUD project siting requirements

- 3.1.3.2. Site Location.** Sites should be located, when possible, in desirable areas including areas with access to amenities, services and transit. Sites should not be in largely commercial areas, areas lacking amenities within walking distance or in an area with environmental concerns. If site is located in an

area with environmental concerns, a plan for addressing them should be in place prior to application. Additional points or requirements for specific target areas may be included in RFPs.

- **Sites located in Target Areas.** The City understands that sites located in Target Areas and Appreciating Neighborhoods can be expensive and hard to find. Sites in these areas should still be safe with minimal environmental concerns or a plan to address environmental concerns, and that the project can be completed with the requested and leverage funds. Additional requirements for site quality in Target Areas is not required

3.1.3.3. Access. Site shall be accessible through legal right-of-way. Site should also be accessible to amenities such as grocery stores, bus stops, pharmacies, etc.

3.1.3.4. Green Building. Project must comply with System Vision . Inspection by third party is required to determine compliance with System Vision.

3.1.3.5. Materials and Building Standards. Projects must meet building code and System Vision standards.

3.1.3.6. Inspections and Monitoring. The City’s Inspections Department will complete inspections related to any permits. Project completion inspections will be completed by the Project Manager or City Representative throughout the construction process. See Inspections under Compliance in the Policy Manual. Projects will also be subject to monitoring by CDD prior to contract closeout to ensure compliance with City and Federal rules and contract requirements.

- **Federal Funds.** All projects funded with Federal funds are subject to the requirements at 2 CFR 200 including procurement, Davis Bacon and labor standards and Section 3. See Compliance Policy for further details.

- **City Funds.** Projects with local funds and no Federal funds will follow City procurement guidelines and must meet City participation requirements for minority and women owned business as well as small disadvantaged businesses. See Compliance Policy for further details.

3.1.4. Household Selection.

3.1.4.1. Set Asides. Do not apply to Small Projects.

3.1.4.2. Target and Priority. The City’s Affordable Housing Plan has identified families earning 50% and below as the target population. In addition, all projects must accept rental assistance vouchers for the duration of the Period of Affordability.

3.1.4.3. Income Limits. Tenants must initially qualify at 60% or below AMI using the HUD Part 5 Income Definition. After initial certification of income, a tenant’s income may rise over 60% AMI.

- **CDBG Funds (Infrastructure Only).** Under CDBG, at least 51% of units must be occupied by families earning 80% or below AMI. Initial tenant income qualification must follow the Tenant Selection Plan for Preservation projects.
- **HOME Funds.** Under HOME funds, a tenant’s income may rise over 60% AMI and still be eligible for the unit. Once the tenant’s income reaches 81% of AMI and higher, the tenant will no longer be eligible for the subsidy. For Floating Units, the tenant’s rent will be raised to Fair Market Rent (FMR) with no utility allowance and the next available unit must be rented to an eligible tenant to meet Unit Mix requirements. For Fixed Units, the tenant’s rent will be raised to 30% of the tenant’s adjusted gross income with no utility allowance. See Period of Affordability in the Compliance section in the Policy Manual.
- **City Funds.** Under City Funds, a tenant’s income may rise over 60% AMI and still be eligible for the unit. Once the tenant’s income reaches 81% AMI, the tenant is no longer eligible for the subsidy. For Floating Units, the tenant’s rent will be raised to Fair Market Rent (FMR) with no utility allowance and the next available unit must be rented to an eligible tenant to meet Unit Mix requirements. For Fixed Units, the tenant’s rent will be raised to 30% of the tenant’s adjusted gross income with no utility allowance.

3.1.4.4. Existing Tenants. Does not apply to Small Project New Construction Projects.

3.1.4.5. Relocation. Does not apply to Small Project New Construction Projects.

3.1.4.6. Selection Plan. The developer must have a selection plan submitted with the application for funding. The selection plan must be Low Barrier in order to serve as many low-income individuals and families as possible. The selection plan must follow the requirements of the Compliance Policy in the Policy Manual and be approved by the CDD prior to lease-up.

- **HOME funds.** The selection plan must comply with 24 CFR 92.252 in addition to the requirements of the Compliance Policy in the Policy Manual.

3.1.5. Project Requirements.

3.1.5.1. Period of Affordability. The minimum Period of Affordability for Small Project Rental New Construction projects is 30 years. A Request for Proposal (RFP) may offer additional points if the developer chooses to use a longer Period of Affordability.

3.1.5.2. Affirmative Marketing. All projects are required to have an Affirmative Marketing Plan. The plan should identify ways to reach individuals that would not normally apply for subsidized units. The plan must meet requirements in the City’s Affirmative Marketing Plan. See Administration Policy in the Policy Manual.

- 3.1.5.3. Market Study.** Generally, market studies will be required for projects with fifty (50) or more units and may be required for smaller projects. The study will need to be completed within 60 days of project award.
- **HOME funds.** All projects with HOME funding are required to have a market study completed and must follow the requirements in the City's HOME Subsidy Layering Policy ([link](#)).

3.2. Preservation. Small Project Rental Preservation Projects are projects that are exiting their Period of Affordability or are naturally occurring affordable housing that need improvements to continue to provide affordable housing.

3.2.1. Funding.

3.2.1.1. Funding Sources. The CDD will utilize City Funds, Community Development Block Grant (CDBG) funds and HOME Investment Partnership Program funds (HOME) for this program. HOME requires that a portion of its allocation be set-aside for Community Housing Development Organizations (CHDOs). HOME CHDO funds are also available for these programs as long as the applicant is an approved CHDO. Housing Opportunities for Persons With AIDS (HOPWA) could be used as well, but is not a traditional funding sources for Multi-Family Rental Preservation and will not be discussed in the topics.

3.2.1.2. Funding Types. Funds will be available for this program through a Request for Proposal (RFP) cycle. RFP cycles will be announced on the CDD website and sent out to the CDD listserv. To be added to the CDD listserv, please contact CommunityDevelopment@durhamnc.gov and provide your contact information. CDD will also consider projects that are special funding requests. Special funding requests are discussed in ____ in the Policy Manual.

3.2.1.3. Eligible Applicants. Applicants that are eligible to apply for funding for Small Project Rental New Construction are non-profit and for-profit developers. Developers must have experience with development and management of affordable housing. The City encourages partnerships for developers new to affordable housing. The Housing Authority of the City of Durham (DHA) and their subsidiary, Development Ventures Incorporated (DVI) are also eligible for this type of project. Applicants must provide audited financials statements or financial statements prepared by a CPA.

3.2.1.4. Eligible Projects. Developers must be able to demonstrate site control for all proposed sites at time of application. CDD will accept an Option to Purchase, Agreement of Sale or a document that shows you can close on a parcel. Projects must create new rental units by income restricting existing market-rate units or extend the affordability period of existing income restricted rental units. Projects must not have received any City of Durham grant or loan funds in the past five years. Extenuating circumstances will be examined on a case by case basis. Projects must accept rental assistance, including (but not limited to) Section 8 Housing Choice Vouchers, HUD VASH Vouchers, and Durham Homelessness Continuum of Care Rental Assistance for the duration of the Period of Affordability.

3.2.1.5. Eligible Uses. City Funds may be used for property acquisition, rehabilitation and green and/or energy efficiency upgrades. City Funds cannot be used to pay for work completed prior to funding award or contract execution.

3.2.2. Financing. The CDD will utilize the following factors when reviewing projects.

- 3.2.2.1. Maximum Per Unit Subsidy.** The Maximum Per Unit Subsidy is the most the CDD can subsidize a unit.
- **City and CDBG Funding.** The City will require a proforma to be completed for each project at application and will determine the per unit subsidy max on a case-by-case basis, taking into account the geographic location, the number of bedrooms and the target income level.
 - **HOME Funding.** Under HOME funding, CDD must follow the HUD Section 234-Condominium Housing basic mortgage limits, for elevator-type projects for maximum per unit subsidy maximum. The HUD Greensboro Field Office publishes these limits and distributes to Grantees. The City will follow the limits that are in effect at the time of contract execution. CDD’s HOME Subsidy Layering Policy can be found here(link) and provides guidance for reviewing and approving HOME per unit subsidy requests.
- 3.2.2.2. Loan vs. Grant.** The CDD prefers to provide loans for Small Project Rental Programs. The loan can be forgivable or a low-interest loan. CDD does have the option to use a grant instead of a loan, but that decision is made on a case-by-case basis at the discretion of the CDD Assistant Director for Strategy. Each property will have a deed restriction to enforce affordability.
- 3.2.2.3. Developer Fee.** The Developer Fee is capped at 12% for Small Project Rental Preservation projects.

3.2.3. Development Requirements. The development requirements are the factors the CDD will use when reviewing applications for funding.

3.2.3.1. Site Quality. CDD will review the project for conformance with the City’s zoning and development requirements, in addition to HUD-specified review factors, which include:

- The adequacy of the site for the proposed improvements.
- The adequacy of utilities to service the site.
- The availability of street to service the site.
- The suitability of the development in meeting the City’s housing goals and policies.
- The proposed project’s conformance with the City’s development and design standards for assisted housing.
- The suitability of the site and neighborhood for furthering compliance with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and their implementing HUD regulations.
- The site must not be located in an area of minority concentration, except as permitted under the first two bullets below. A project may be located in an area of minority concentration only if:

- Sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration.
- The project is necessary to meet overriding housing needs that cannot be met in that housing market area.
- The site must promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.
- The neighborhood must not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.
- The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents.
- Except for new construction housing designed for elderly persons, travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for lower-income workers, must not be excessive.

To assist in determining compliance with the site and neighborhood standards, the City will require that the developer submit a Site and Neighborhood Standards Analysis with their proposal, performed in conformance with the requirements of 24 CFR 986.57(e). The City will review the analysis to determine compliance with HUD project siting requirements

- 3.2.3.2. Site Location.** Sites should be located, when possible, in desirable areas including areas with access to amenities, services and transit. Sites should not be in largely commercial areas, areas lacking amenities within walking distance or in an area with environmental concerns. If site is located in an area with environmental concerns, a plan for addressing them should be in place prior to application. Additional points and requirements for specific target areas may be included in RFPs.
- 3.2.3.3. Access.** Site shall be accessible through legal right-of-way. Site should also be accessible to amenities such as grocery stores, bus stops, pharmacies, etc.
- 3.2.3.4. Green Building.** Project must comply with Energy Star standards to the extent possible as approved by the City.

3.2.3.5. Materials and Building Standards. A Physical Needs Assessment or write-up from a licensed General Contractor shall be provided within sixty (60) days of conditional award to support cost estimate. Property must meet or exceed the City’s Minimum Housing Standard upon completion of rehabilitation work or the NC State Building Code, whichever is applicable. Projects must generally extend the useful life of the property by 20 years. Rehabilitation of any buildings built prior to 1978 must comply with federal lead-based paint requirements, including lead screening, in accordance with 24 CFR Part 92.355 and 24 CFR Part 35, subparts A, B, J, K, M and R.

3.2.3.6. Inspections and Monitoring. The City’s Inspections Department will complete inspections related to any permits. Project completion inspections will be completed by the Project Manager or City Representative throughout the construction process. See Inspections under Compliance in the Policy Manual. Projects will also be subject to monitoring by CDD prior to contract closeout to ensure compliance with City and Federal rules and contract requirements.

- **Federal Funds.** All projects funded with Federal funds are subject to the requirements at 2 CFR 200 including procurement, Davis Bacon and labor standards and Section 3. See Compliance Policy for further details.
- **City Funds.** Projects with local funds and no Federal funds will follow City procurement guidelines and must meet City participation requirements for minority and women owned business as well as small disadvantaged businesses. See Compliance Policy for further details.

3.2.4. Household Selection.

3.2.4.1. Set Asides. Do not apply.

3.2.4.2. Target and Priority. The City’s Affordable Housing Plan has identified families earning 50% and below as the target population.

3.2.4.3. Income Limits. Tenants must initially qualify at 60% or below AMI, or the income specified in the application, using the HUD Part 5 Income Definition. Preservation projects with current tenants must follow Section 1.2.4.4 – Existing Tenants for initial income certification. After initial certification of income, a tenant’s income may rise over 60% AMI.

- **CDBG Funds.** Under CDBG, at least 51% of units must be occupied by families earning 80% or below AMI. Initial tenant income qualification must follow the Tenant Selection Plan for Preservation projects.
- **HOME Funds.** Under HOME funds, a tenant’s income may rise over 60% AMI and still be eligible for the unit. Once the tenant’s income reaches 81% of AMI and higher, the tenant will no longer be eligible for the subsidy and rent must be increased following either the

fixed or floating method. See Period of Affordability in the Compliance section in the Policy Manual.

- **City Funds.** Under City Funds, a tenant’s income may rise over 60% AMI and still be eligible for the unit. Once the tenant’s income reaches 81% AMI, the tenant is no longer eligible for the unit and must move at the end of the current lease term.

3.2.4.4. Existing Tenants. Developers should income certify all existing tenants prior to application. Depending on funding source, the Developer may have to determine a plan for relocating tenants whose incomes do not meet the qualification.

- **CDBG Funds.** For Small Project Rental Preservation projects funded with CDBG funds, the City has the following policy:
 - HUD HOME Income and Rent Limits will be used for income determination and rent setting.
 - Subrecipient must complete an income determination for each current household and the household must certify their income prior to the execution of the funding agreement.
 - Only 51% of households must be at or below 80% AMI. Households that are over 80% AMI or the income listed in the application will be considered temporarily non-compliant until the household vacates the unit. Once the current household vacates the unit, the next tenant must meet the income and unit mix requirements.
- **HOME Funds.** For Small Project Rental Preservation projects funded with HOME funds, the City has the following policy:
 - HUD HOME Income and Rent Limits will be used for income determination and rent setting.
 - Subrecipient must complete an income determination for each current household and the household must certify their income prior to the execution of the funding agreement.
 - If current tenants do not meet the income qualification, the tenants will need to be relocated prior to construction. The Uniform Relocation Assistance and Real Property Acquisition Act (URA) will apply.
 - All HOME funded occupied units in a project must have income-qualifying tenants at the end of construction.
- **City Funds.** For Small Project Rental Preservation projects funded with City-funds, the City has the following policy:
 - HUD HOME Income and Rent Limits will be used for income determination and rent setting.

- All tenants must be informed via a written notice that the development has been purchased by the developer for affordable housing. Notice must be provided within thirty (30) days of contract execution and must be documented for each current household.
- Subrecipient must complete an income determination for each current household and the household must certify their income prior to the execution of the funding agreement.
 - Current tenants that are 81% AMI and higher are non-compliant and will have until the end of their lease or one (1) year, whichever is longer, to vacate the unit. If a tenant is mid-lease, a lease for the remainder of the year may be signed and the one-year lease requirement will be waived.
 - Tenants will be considered temporarily non-compliant and may remain in the unit until they move out. Once the over-income tenant moves out, an income-qualifying tenant must be moved in.

3.2.4.5. Relocation. Preservation projects will require some form of relocation. The City encourages following its Anti-Displacement Policy (see Administration in Policy Manual). City funded projects do not trigger the Uniform Relocation and Property Acquisition Act (URA), but CDBG and HOME-funded projects do. If the project will require relocation, CDD recommends setting up a meeting prior to RFP response to review the procedure and requirements. See Relocation policy in the Compliance section of the Policy Manual.

- **CDBG Funds.** Temporary Relocation does not trigger URA, but displacement due to not meeting income eligibility or temporary relocation lasting longer than 1 year does trigger URA. Temporary relocation does have standards and requirements that must be met. See Relocation in Compliance in Policy Manual.
- **HOME Funds.** Temporary Relocation does not trigger URA, but displacement due to not meeting income eligibility or temporary relocation lasting longer than 1 year does trigger URA. Temporary relocation does have standards and requirements that must be met. See Relocation in Compliance in Policy Manual.
- **City Funds.** Current tenants that are not income eligible to remain in unit will not be eligible for relocation funded by the City. Current tenants that are income eligible and must be relocated for the work

could be eligible for relocation as part of the project cost, if included in the budget submitted with the application.

3.2.4.6. Selection Plan. The developer must have a selection plan submitted with the application for funding. The selection plan must be Low Barrier in order to serve as many low-income individuals and families as possible. The selection plan must follow the requirements of the Compliance Policy in the Policy Manual and be approved by the CDD prior to lease-up.

- **HOME Funds.** The selection plan must comply with 24 CFR 92.252 in addition to the requirements of the Compliance Policy in the Policy Manual.

3.2.5. Project Requirements.

3.2.5.1. Period of Affordability. The minimum Period of Affordability for Small Project Rental Preservation projects is 20 years. A Request for Proposal (RFP) may offer additional points if the developer chooses to use a longer Period of Affordability.

3.2.5.2. Affirmative Marketing. All projects are required to have an Affirmative Marketing Plan. The plan should identify ways to reach individuals that would not normally apply for subsidized units. The plan must meet requirements in the City's Affirmative Marketing Plan. See Administration Policy in the Policy Manual.

3.2.5.3. Market Study. Generally, market studies will be required for projects with fifty (50) or more units and may be required for smaller projects. The study will need to be completed within 60 days of project award.

- **HOME funds.** All projects with HOME funding are required to have a market study completed and must follow the requirements in the City's HOME Subsidy Layering Policy ([link](#)).

4. **Affordable Housing Density Bonus.** The City of Durham offers a density bonus for developers that make at least 15% of the total units in the property affordable to households earning 60% of AMI or less, based on HUD HOME Income limits. The Policies and Procedures for the Affordable Housing Density Bonus program will be uploaded when adopted by City Council.