

**HOPE VI MAIN STREET NOFA  
FREQUENTLY ASKED QUESTIONS ABOUT ELIGIBILITY**

**Q-1. My town has been trying to rejuvenate our downtown for several years. We wrote up a general plan that covers a 6-block area, but have not registered ourselves as a Main Street project with the State or the National Trust for Historic Preservation. Are we eligible to apply?**

A-1. Yes. Registration as a Main Street type of project with the State, the National Trust for Historic Preservation, or any entity other than the city itself is not required. And, registration or formal acknowledgment by the city may or may not be required, as explained below.

One of the NOFA thresholds, in Section III.C.1.b. of the NOFA, states, “A Main Street Rejuvenation Master Plan for the Main Street Area must have been in existence for three years prior to the application submission date, and, if one exists, be included in the applicant’s Consolidated Plan. See Section I.D. of this NOFA for the definition of a Main Street Rejuvenation Master Plan...” Note that the Master Plan does not have to be registered with any specific entity. However, it does, require that if your city has some kind of a consolidated planning document (which may include, but is not limited to, a PHA’s Consolidated Plan), the Master Plan must be mentioned in that planning document. The Plan may be described in detail, or may only have been mentioned as part of a growth or revitalization plan in the minutes of a City Council meeting. This type of documentation is dependant upon the city’s governmental structure and records-keeping procedures. In the unlikely event that your city does not discuss or plan revitalization in any way, and, therefore, there is no city planning documentation at all, you are not required to furnish any such documentation to fulfill this threshold. Note the language, “if one exists,” concerning a consolidated plan.

The other part of the threshold concerns how long the Master Plan has been in existence. Per Section IV.B.6.a. of the NOFA, by applying for funds through this NOFA, you are certifying that the Master Plan has been in existence for 3 years. Again, the period of time that a Master Plan has been in existence is not affected by the date that it may have been registered with the State or approved by the National Trust for Historic Preservation. Such registrations are not a requirement of this NOFA.

**Q-2. My city has no public housing units, but does administer over 100 Section 8 vouchers. Am I still eligible?**

A-2. Yes. Housing Choice Vouchers (Section 8), whether tenant-based or project-based, have no effect on eligibility.

**Q-3. My town has no PHA, and our county has no PHA. Are we eligible to apply?**

A-3. Yes. Section III.A.3. of the NOFA states that eligible applicants are local governments that must, “Not be served by a public housing agency that administers more than 100

public housing units...” If your town, and the county/parish that you are located in, have no PHA, then you are, by definition, not served by a PHA with more than 100 public housing units.

**Q-4. My town is within the jurisdiction of a regional Public Housing Authority (PHA) that administers more than 100 units. But, only 10 of those units are within my town’s jurisdiction. Am I eligible to apply for this grant?**

A-4. Section III.A.3. of the NOFA (FR page 42152, middle column) states that, “...For this NOFA, HUD does not consider agencies of the State government to be public housing agencies.” If a state happens to contain several wide-area regional PHAs instead of one State agency, where the jurisdiction of each PHA includes all of the local governments over several counties/parishes, then those regional PHAs would be included in the State PHA exception and the size of that PHA would not affect the eligibility of the local governments within its jurisdiction. Provided that all other eligibility criteria and thresholds are fulfilled, your town is probably eligible to apply. In ambiguous situations, HUD’s final determination of eligibility would be made on a case-by-case basis during NOFA application review.

Note, however, that a county/parish PHA is not considered a regional or state PHA. It does affect the eligibility of local governments within its jurisdiction. If it administers more than 100 public housing units, local governments within its jurisdiction are probably not eligible. Again, in ambiguous situations, HUD’s final determination of eligibility would be made on a case-by-case basis during NOFA application review.

HOPE VI Main Street grants are aimed at small local governments that have limited access to other sources of affordable housing.

Section 403 of the American Dream Downpayment Act of 2003 (P.L. 108-186) authorizes HOPE VI Main Street grants. It states that a local government that is “served by” any PHA that has more than 100 units is not eligible. The phrase “served by” in the statute means that the local government has reasonable access to affordable housing resources. A city or county/parish PHA would offer such access. However, a State-wide or regional PHA with a jurisdiction that covers all local governments in large, multi-county/parish area probably would not. Typically, such PHAs administer Housing Choice Vouchers (Section 8) and a small number of public housing units for each of many small, rural communities and counties/parishes. If the State or regional PHA does administer more than 100 units, it does so simply because of the extremely large area that is within its jurisdiction.

**Q-5. Our city is a fairly distant suburb of a large city, but is still within the jurisdiction of the metropolitan PHA that serves the city. The metropolitan PHA has over 100 units of public housing. Am I eligible to apply for this grant?**

A-5. Metropolitan PHAs are not considered State agencies for the purposes of this NOFA. This NOFA targets small communities that do not have access to affordable housing

resources. A metropolitan PHA that serves a large city and its surrounding suburbs, and administers more than 100 public housing units, does have access to affordable housing resources. As long as your city is within its jurisdiction, it is assumed that your city is being “served by” that PHA and, therefore, your city is probably not eligible to apply for a grant through this NOFA. In ambiguous situations, HUD’s final determination of eligibility would be made on a case-by-case basis during NOFA application review.

**Q-6. My city is part of a consolidated PHA that administers over 100 units of public housing. However, my city only has 20 public housing units. Am I eligible to apply?**

A-6. Consolidated PHAs are not considered State agencies for the purposes of this NOFA. Consolidated PHAs are typically formed when two or more local governments elect to combine their independent PHAs to better utilize available public and affordable housing resources. Savings are obtained due to economies of scale in maintenance and capital repairs, and the prorating of fixed administrative costs over a larger public housing/Housing Choice Voucher base. Since the participating local governments voluntarily continue to be part of the consolidated PHA, it is assumed that they are being served by the PHA and do have reasonable access to affordable housing resources, especially if the number of public housing units administered exceeds 100. Local governments that are within the jurisdiction of the consolidated PHA are probably not eligible to apply. In ambiguous situations, HUD’s final determination of eligibility would be made on a case-by-case basis during NOFA application review. An example of this may be a consolidated PHA that includes many local governments that are spread over an area that includes several counties/parishes, which causes PHA services to be very limited for each local government.

**Q-7. Are Native American Indian Tribes, or local governments within a Tribe, eligible to apply?**

A-7. No. Section III.A. of the NOFA states, in part, that eligible applicants are limited to “...Local Governments, as defined in Section I.D. of this NOFA and Section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302).” Section I.D.9. of the NOFA, and Section 103, state that a, “...*Local Government* means any city, county/parish, town, township, parish, village, or other **general purpose political subdivision of a state**...” Native American Indian Tribes are not political subdivisions of a state and, therefore, are not eligible.

**Q-8. The NOFA states that the applicant or its developer must have site control of the properties where the affordable housing units will be located. Does this mean that the city has to own the properties?**

A-8. No, the local government that is applying for a grant through this NOFA does not have to own the properties that will be part of the Main Street Affordable Housing Project. Section III.C.1.f. of the NOFA, on page 42153, first column, states, “The applicant, or recognized developer entity of the project, must have site control of all properties where affordable housing will be developed on or before the application submission date.” This

means that the applicant city, or some entity that has signed a developer agreement with the applicant city, has the legal authority to commit the owner of the property to the rehabilitation that will be performed with HOPE VI Main Street grant funds. Some examples of site control are: 1) The local government owns the property outright; 2) The private-owner of the property and the applicant have signed a developer agreement and the private-owner is the developer; 3) The government- or private-owner has signed a developer agreement with a separate developer and the agreement gives the developer control; 4) The applicant or developer has an option to purchase on the property that covers a reasonable time period (grant funds cannot be used to purchase a property, but leverage funds can); 5) An owner-entity partnership was formed between the original owner and the applicant or the developer (or both) and possibly a third-party investor (Tax Credits) and the developer is the General Partner; etc.

Note that site control is required, “on or before the application submission date.” It is expected that an agreement that furnishes site control to the applicant, or its developer, may not have existed before the HOPE VI Main Street NOFA was published, and that such agreements have to be put in place after the publication date.

**Q-9. My city wants to use the grant funds to rehabilitate two privately owned buildings. As the applicant, we will get the grant funds. How do we transfer the funds to the private-owners?**

A-9. The NOFA is silent on this point. The means of transferring funds from the grantee city to the owner is up to the grantee. The grantee may subgrant the funds to the owner, may loan the funds to the owner through a hard or soft loan, or may use other legal ways to transfer the funds. The transfer method must be properly documented and pass independent audits that are required of the city and of all Federal grantees. See the General Section of the SuperNOFA for related OMB Circulars and other requirements. There are no unusual audit requirements imposed by the NOFA.

Note that if neither the grantee nor the owner/developer has used Federal grant funds before, Federal procurement (if the city is the developer) and audit requirements should be reviewed by all interested parties for effects on development costs and the program schedule.

**Q-10. I want to increase my leverage in the housing project. Can I use the grant funds to secure a private mortgage loan?**

A-10. No. Grant funds cannot be pledged as security for a loan or bond issue without HUD’s prior approval. However, the applicant or developer may include in their rehabilitation plan a private mortgage loan based on the post-rehabilitation cash flow of the property. A loan application for such a loan would probably include several required parts of this application, including the form HUD-52861, “HOPE VI Main Street Application Data Sheet,” and the 5-year proforma.

Note that a construction loan that is fully replaced by permanent financing will not be counted towards leverage. If, however, a bank donates a portion of the cost of construction, and does not require full replacement with permanent financing, the amount donated (not replaced) may be counted as leverage.

**Q-11. My city has been working to rejuvenate our downtown for several years. But, we have never put together a Master Plan that has been accepted by the State or the National Trust for Historic Preservation. Is it too late to write a Master Plan?**

A-11. A Master Plan, or summary of a Master Plan, must be included in the application to meet the Master Plan threshold. However, the Master Plan does not need to consist of one document that strategically explains all of the aspects of a Main Street rejuvenation effort. It can be a collection of many documents that provide evidence of activity related to a revitalization effort within the applicant's downtown area.

Section III.C.2.c. of the NOFA, page 42154, first column, lists six requirements that a document, or group of documents taken together, must meet in order to be considered a Master Plan by HUD. At least one document must be dated at least 3 years prior to the NOFA's publication date, and some part of the plan (or one of the included documents) must have been prepared by an architect, land planner, or qualified planning professional. A multi-document Master Plan may include, but is not limited to, minutes from City Council meetings, proposals from a non-profit or property owner to the applicant requesting support for some downtown revitalization effort, lists of expenditures for Main Street related work that has been done, or other documentation that demonstrates Main Street related activity within the applicant's jurisdiction. Note that affordable housing had to be included in the plan before the NOFA was published, but the exact locations of that housing could be determined any time before the application submission date.

Section I.D.13. of the NOFA, page 42151, middle column, states the definition of a Master Plan. The section lists seven areas that a Master Plan would cover, plus the requirement that the above HOPE VI Main Street program requirements be met.

**Q-12. When the NOFA refers to a procured developer, does that mean that the applicant city or county has to go through the procurement process of advertising for a developer, or can they just contract with a qualified developer? There would not be enough time to go through the advertisement process to procure a developer.**

A-12. A procured developer, construction contractor and other contracted experts would have to be procured in accordance with the administrative and procurement requirements of a local government that receives Federal grants. See 24 CFR § 85.36 for HUD's procurement requirements.

However, the applicant does not need to have an executed Developer Agreement with a procured developer to apply for this NOFA. Neither does it need executed contracts with other applicant team members in place before the application submission date in order to

include those team members in the application. The applicant does need to meet the NOFA thresholds, however, e.g., site control.

According to the NOFA, the applicant has the option of obtaining site control on its own or having site control lie with a procured developer. Therefore, the only time that an executed Developer Agreement is required before the application submission date is when the procured developer is the party that is fulfilling the threshold requirements. However, the applicant local government may have an agreement with the owner of the project that gives the applicant site control (the legal ability to commit the owner to the rehabilitation described in the application), as discussed in answer number A-1. in FAQ Set 2, labeled, "Frequently Asked Questions: Site Control, Master Plan and Finance." Such an agreement could be contingent upon the applicant receiving a NOFA award, etc

**Q-13 I downloaded the HUD-52861 form from the HUD HOPE VI grants website. I am not able to choose my city and state on page 10. What should I do?**

A-13. The 'TDC – Select City & State' worksheet in the Excel form must be 'Unprotected' to work properly. The User should save the file to their PC and reopen it in MS Excel. The User should then open the 'TDC – Select City & State' worksheet; then click on Tools; then click on Protection; then click on Unprotect. The worksheet should now be functional. Click on the City arrow and choose your city. If your city is not listed, you should choose the name of the closest listed city or your metropolitan area. After that, choose your State.

**Q-14. Will there be any penalty if the grant funds are mostly put in one Budget Line Item, rather than spread across many line items?**

A-14. The HOPE VI Budget Guidance that is linked to the HOPE VI Main Street webpage instructs the applicant/grantee to put professional fees and costs into Budget Line Item (BLI) 1430, and to put housing construction costs into BLI 1460. If all of the grant funds are spent on these items, then all of the funds should be budgeted in these two Budget Line Items. As with any budget, HUD expects that the applicant will subdivide these costs within their BLIs to an extent that a reviewer or Grant Manager has the ability to determine how the funds are going to be spent.

**Q-15. Will there be any penalty if the grant funds are in soft development costs (architectural fees, professional fees, etc.) rather than construction?**

A-15. The grants are awarded strictly upon the Rating Factors in the NOFA. This NOFA does not state a preference for expenditures on soft- or hard-costs. Rating Factor 5 includes Fiscal Management. If the grant funds, leverage funds, Sources and Uses and HOPE VI Budget do not show that the project can be completed, then this would affect the rating of that factor.

**Q-16. In the 5-year proforma, is there a required annual percent increase in income and expenses?**

A-16. In Section IV.B.5.f., the NOFA states that the purpose of the 5-year proforma is to demonstrate that the Main Street Affordable Housing Project will be viable (at or above break-even) over time. HUD does not have a mandatory positive cash flow requirement, nor does it have mandatory annual increases in income or expenses, as do some other types of assisted affordable housing. Income and expenses are different for each local area. Changes in income and expenses should be based upon the applicant's best estimate of future local income and expense levels. Note that there are rental limits during the initial occupancy period that are based upon affordability (80% or 50% of Adjusted Median Income (AMI) combined with maximum tenant rental share (30% of Adjusted Income). The NOFA states that the applicant should assume that the initial occupancy period is at least two years and the applicant city/county may impose its own affordability restrictions beyond the initial occupant.

**Q-17 I have to put my requested grant amount on the Standard Form SF-424. What do I base my request on? Is there any other information I have to include about how much money I would like to receive?**

A-17. Block 15a. of the SF-424 should contain the requested amount of HOPE VI Main Street funds from this NOFA. The block is labeled 'Federal,' but should only include the requested HOPE VI Main Street grant amount. If you have included other Federal funds in the Main Street Affordable Housing Project as Leverage, that amount should be put into Block 15e, "Other."

All of the amounts that you enter into Block 15 of the SF-424 should be based upon your Permanent Sources and Uses for your HOPE VI Main Street Affordable Housing Project. This Sources and Uses (S&U) is located in the form HUD-52861, under the three worksheet tabs starting with, "Permanent S&U p1." The amounts you would enter into Block 15 are the totals of from the Permanent S&U.

The maximum amount that you can request will be calculated by the HUD-52861. To do this, you should fill in all of the HUD-52861 worksheets, going from left to right. After your planned unit mix, S&U costs and City and State are entered, click on the next worksheet tab, "TDC Limit Calculations." You should see entered on that worksheet your unit mix, S&U costs, the maximum allowable grant amount (i.e. "Total Development Cost") per unit for your local area, the maximum grant amount you are allowed based upon the units you will produce, and the Permanent S&U HOPE VI Main Street expenses that you propose to pay with the grant funds.

Regardless of the maximum TDC amount calculated, plus any Community and Supportive Services proposed, the grant amount cannot exceed \$500,000.

The bottom of the worksheet shows the relationship between the expenses you propose to pay with your grant funds and the maximum grant that you can receive. The percent shown should be 100% or lower. This means that the maximum grant amount is at least as much as the amount of expenses you plan to pay off with the grant. If the percent

shown is greater than 100%, your grant amount will not be enough to pay the all of the costs that you have associated with it. You will have to either scale back costs or pay a larger proportion of the costs with leverage funds. If the application that you submit shows a percent above 100%, this also brings into question your fiscal management abilities, which are rated in Rating Factor 5.b., Section V.A.5.b. of the NOFA.