

**City of Columbia**  
**Community Development Block Grant (CDBG)**  
**and HOME Program**

**Administrative Guidelines**

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## **Section 1 Definitions**

*City*- refers to the City of Columbia, Missouri.

*Committee*- refers to the City's Loan and Grant Committee.

*Community Development Coordinator*- refers to the person in charge of managing the Community Development Block Grant and HOME projects, including general administrative duties for the CDBG and HOME program.

*Community Development Block Grant Eligibility Area* is a map showing census tracts where more than 51% of its residents are low to moderate income (according to the most current census data).

*Back end ratio* is total debt to gross income.

*Front end ratio* is housing costs (PITI) to gross income.

*Housing Specialist* refers to the individual authorized by the City to perform administrative duties, inspections, prepare work-write-ups, and construction management for the City's Housing Rehabilitation Programs.

*Housing Rehabilitation Standards* is the minimum standard of measurement adopted by the City for the HOME program to determine that a unit is safe, decent and sanitary for human habitation following rehabilitation. This standard is defined in the document Minimum Housing Rehabilitation Standards for HOME Assisted Projects.

*Loan and Grant Committee* is a five-member committee appointed by the City Manager to review and make decisions on loan applications for the City's housing programs, to review and make decisions on loan terms and requirements, and all other duties as assigned by the Director of Community Development, City Manager or City Council (see Loan and Grant Administrative Guidelines originally approved in June, 1975, and amended in October, 2012).

*Low-to-Moderate Income (LMI)* refers to income guidelines for families established by the Department of Housing and Urban Development.

*Property Maintenance Standards* is the version of the International Property Maintenance Code adopted by the City and used by the City to determine that a unit is safe, decent and sanitary for human habitation.

*Neighborhood Response Team* is a residential code enforcement program that works to enforce a variety of health, building, vehicle and zoning ordinances in an effort to protect property values and the quality of life in designated Columbia neighborhoods.

*Owner-Occupied Property* refers to property owned and occupied by the owner that is used for residential purposes.

*Public Body* refers to the City Council and/or assigns of the City, charged with the responsibility of administering housing programs under the HOME Investment Partnership Act and the Community Development Block Grant Programs.

*Public Official* refers to any elected or appointed official of the City, or any person employed either directly or indirectly, by the City.

## **Section 2: Home Rehab and Energy Efficiency Program**

### **Program Goals and Objectives**

The purpose of the Home Rehab and Energy Efficiency Program is to bring existing homes up to property maintenance and rehabilitation standards, make homes more livable and efficient, and strengthen neighborhoods. This program is not intended to be used for homeowners who intend to sell their property upon completion of the project.

### **Eligibility and Assistance Amounts**

1. The applicant household income must be at or below 80% of the median family income as defined by HUD to participate in the Owner Occupied Housing Rehabilitation Program at the time their application is processed. Homeowners with more than \$50,000 of identifiable resources readily available to the project are ineligible.
2. Authorization will be received from the homeowner(s) to obtain a credit report for each applicant for projects over \$15,000 prior to the Loan and Grant Committee meeting where their application will be reviewed. Applicants must have a combined average credit score within 20 points of the current Fannie Mae and Freddie Mac minimum requirements to be eligible for assistance over \$15,000, unless the applicant has completed a City approved financial education course such as "Moneysmart." Applicants currently undergoing bankruptcy proceedings are ineligible.
3. The property must be located within the City Limits and not within a designated flood plain area or on land known to be the site of previous dumping of toxic or hazardous wastes. Mobile homes are not eligible.
4. The property must be owner-occupied and have clear title. Properties held by a life estate are ineligible. At the time of application, the applicant must be current on all mortgages for the past 6 months and not more than 60 days behind on their mortgages within the past 12 months. The property owner must have hazard insurance on the property in a sufficient amount to cover existing liens, including the potential rehabilitation loan. If the property is owned by more than one individual, all owners must sign required legal documents relating to the

rehabilitation project, including, but not limited to, the deed of trust and rehabilitation contract, even if they do not reside in the property to be rehabilitated.

5. The property must contain violations to the City property maintenance standards, and/or rehabilitation standards in order to qualify. The minimum project cost is \$1,000. The Home Rehab and Energy Efficiency program addresses both interior and exterior deficiencies.

6. For Projects Over \$15,000, the property must comply with program *rehabilitation standards* at completion of project; substandard items will be rehabilitated. The *rehabilitation cost* cannot exceed the *program loan limit* unless the applicant provides the necessary additional funds, which may not exceed \$5,000.00. The program loan limit is 125% of the real estate value less the indebtedness of the real estate and not to exceed \$25,000.00. The real estate value is determined by an appraiser contracted by the City of Columbia. Rehabilitation loan amounts exceeding 100% of the lower of sales price or appraised value, with the difference between sales price and appraised value not to exceed \$5,000 will be forgiven at the time of sale or title transfer.

7. City staff may authorize loan funds above 125% housing debt to value ratio after project work has started, in order for the property to meet rehabilitation standards at project completion.

8. In homes containing lead paint hazards, the City will grant up to \$10,000 in project costs for lead remediation or abatement activities. The total project limit is \$50,000 per home (\$40,000 rehab loan & \$10,000 grant). Additional grant funds will be used to cover appraisal, third party inspection, and other costs necessary for work scope development for each project.

9. A non-lead home verified by a risk assessor, or a home that will be lead-safe at the completion of the project, may be eligible for a rehabilitation loan amount of \$50,000, however none of these costs will be granted. Homes must be brought into compliance with City property maintenance standards and rehabilitation standards at the completion of the project.

10. The applicant and/or the structure for which the application is being made cannot previously have received a City of Columbia Community Development Department loan or grant for owner occupied housing rehabilitation with the past 20 years if the funding source for the project was HOME funds. Repeat applications from the same owner-applicant for a different property will be accepted only if the debt from the first property has been repaid.

11. . Owner-applicants participating in the program shall allow for at least 1 hour of one on one education with regards to home maintenance. Applicants who have previously participated in the Minor Home Repair Program, Code Deficiency Abatement Program or Emergency Assistance Program are eligible; however, any outstanding assistance amounts will be deducted from the maximum allowed under the Home Rehab and Energy Efficiency Program.

12. The applicant must sign a Promissory Note and Deed of Trust for the loan amount.

13. Payment of real-estate taxes must be current.

14. Should a project be determined infeasible for rehabilitation due to a lack of funding or not meeting eligibility criteria, the City reserves the right to reject the owner’s application.

Income

Household income is determined using the Internal Revenue Service 1040 Adjusted Gross Income method for all US citizens or resident aliens residing in the home and those temporarily absent. Where multiple entities are owners of record of a property, the applicant is the owner-occupant and his/her family. The annual income of each household is established by projecting income for 12 months from the time the applicant’s name is reached on the waiting list. Verification of each source of income declared on the household application is required (e.g. third-party verification, a certified copy most recent tax return, or other approved methods acceptable to HUD and Community Development staff.

Repayment

1. Deferred Loans

A. Deferred Loans will be granted to households headed by persons aged 68 or older; individuals with disabilities; or when front end or back end ratios, including utilities, exceed 35% or 45% respectively.

B. No repayment of any kind is required so long as the recipient continues to own and occupy the property that is rehabilitated.

2. Installment Loans

A. Regular monthly payments will be established for participants not eligible for deferred status loans as provided for in these guidelines. Payment amounts will be applied to 50% of the loan amount. Payments will be a flat rate depending upon size of the project and will have a total number of payments that allow for amortization of 50% of the total loan amount. Flat rates will be broken into 5 tiered categories as follows:

Home Rehab and Energy Efficiency Program Loan Payment Schedule		
Project Tier	Rehab Project Amount	Monthly Payment
I.	Up to \$15,000	\$ 50.00
II.	\$15,001-\$20,000	\$ 75.00
III.	\$20,001-\$30,000	\$ 100.00
IV.	\$30,001-\$40,000	\$ 125.00
V.	\$40,001-\$50,000	\$ 150.00

Any loan balances not covered by the 15 year monthly payment schedule shall remain in deferred status. Monthly payments shall not result in front or back end ratios exceeding 35% and 45% respectively. Average monthly utility costs are included in the ratios only for the purpose of determining rehabilitation loan payments. In cases where the monthly payment schedule results in the participant's ratio's exceeding 35% and 45%, the participant's payment shall be reduced down to the next tiered category until the payment amount does not cause the ratios to exceed 35% and 45%. If the tier I category still results in a participant household's ratios exceeding 35% and 45%, then the loan shall be in deferred status. Participants may make payments on the deferred portion, however it is not required.

B. No interest shall be charged to the recipient of the loan.

C. Foreclosure proceedings may start if payments are three or more months in arrears.

D. In the event the property receiving assistance is no longer owned or occupied by the participant, or is not maintained to City of Columbia Property Maintenance standards, the balance of the rehabilitation installment and forgivable loans shall be paid in full. The City may also establish a payment plan for the balance of the rehabilitation loan.

3. In the event any rebates are earned and paid from City of Columbia Water and Light or Boone County Electric Cooperative as a direct result of the use of Federal funds the owner shall endorse, transfer and assign the rebate proceeds over to the City of Columbia Community Development Department to be applied to the principal of the City loan.

#### Eligible Costs

Loan funds are used for improvements deemed necessary by Community Development staff, including, but not limited to, one or more of the following:

1. For projects over \$15,000, Work necessary to meet the program rehabilitation and property maintenance standards for the City of Columbia and HUD.
2. Building permits and related fees.
3. Addressing lead-based paint hazards identified by a risk assessor.
4. HVAC equipment repair or replacement.
5. Energy efficiency improvements.
6. Structural repairs.
7. Fencing and landscaping where needed as a result of eligible project activities.



NOTE: All materials, fixtures, equipment, or landscaping shall be of a quality customarily used in the neighborhood for properties of the same general type as the property to be rehabilitated.

### Ineligible Costs

Except as otherwise provided in this section, a rehabilitation loan shall not provide funding for adding rooms, creating finished living space from unfinished areas (i.e., garages and basements), exterior improvements such as fencing and landscaping, replacement of items determined to be in good condition by rehabilitation staff, and purchase and installation of appliances, such as refrigerators, stoves, window air conditioning units except as allowed in the Minimum Housing Rehabilitation Standards for HOME Assisted Projects.

### Work Write Up

The Housing Specialist shall prepare a deficiency list and work write-up in accordance with the City's Property maintenance Standards and the City's Minimum Housing Rehabilitation Standards for HOME assisted Projects, to document the rehabilitation work to be financed with a rehabilitation loan.

### Change Orders

The Housing Programs Manager, with the consent of the property owner, may approve change orders to the work write-up if the amount of the contract is not increased more than \$2,000. Changes in excess of \$2,000 must be approved by the Director of Community Development, or with the consent of the property owner. All change orders shall be prepared by the Housing Specialist and shall be signed by the property owner, or the designated representative of the property owner, a representative of the City Community Development Department, and the contractor.

### Loan Limits per Property

1. Program loan limit or the amount necessary to complete the project, or to bring the property into compliance with rehabilitation standards for projects over \$15,000.
2. The balance of home repair assistance previously provided by the City, if any, will be counted toward the loan limits.

### Application Processing

Applications will be processed in the order that complete applications are received.

1. CDBG/ HOME Staff will complete the following:

- A. Review all applications.
- B. Verify occupancy and ownership.
- C. Verify income of applicant and eligibility.
- D. Third party inspection for projects over \$15,000
- E. Identify needed work and prepare a work write-up and cost estimate.
- F. Identify and complete required environmental review elements (e.g. Historic properties review, Lead Risk Assessment, flood plain certification.)
- G. Obtain an appraisal of property in current condition and projected appraisal after completion of work for projects over \$15,000.
- H. Conduct a staff review of all areas and recommend an action to the program manager. This review shall be based on criteria which will reflect an economic feasibility of rehabilitation environmental, historic and zoning regulations.
- I. Establish bid dates for contracts and prepare bid documents.
- J. Review contracts and recommend awards.

## 2. Loan and Grant Committee

- A. Review project file for projects over \$15,000 and staff recommendations
- B. Approve/Disapprove Home Rehab and Energy Efficiency Program projects over \$15,000

## LOAN AND GRANT COMMITTEE

### 1. Scope and Purpose

- A. The Loan and Grant Committee reviews and approves project funding amounts for applications received by the City for housing rehabilitation assistance under the Department of HUD's HOME and Community Development Block Grant (CDBG) Programs. The Committee reviews applications for grants and loans necessary for rehabilitation to bring houses into compliance with the City's Property Maintenance Code and other federally required property standards and to prevent houses from becoming substandard in the near future.
- B. The Committee shall also serve in an advisory capacity for the Community Development staff concerning its housing programs, including reviewing administrative guidelines for each program.

The Loan and Grant Committee may also advise the City Council, City Manager or designee and the Community Development Commission on matters pertaining to HOME and CDBG housing programs and activities to improve the effectiveness of the programs.

C. The Committee shall receive information on the status of active HOME and CDBG loans from staff of the Community Development Department upon request, and will recommend a course of action regarding defaulted loans in an annual report to the City Council.

## 2. Membership and Administration

A. The Committee shall consist of five members. Two members shall represent local housing lenders. Two members shall be involved in other aspects of community development, such as real estate, insurance, home building, or other related fields. One member shall be a current member of the City's Community Development Commission. All members shall be appointed by the City Manager and shall serve two-year terms. Members can be reappointed by the City Manager upon their willingness to serve and a good record of attendance. In order to have a good record of attendance, each member shall be required to attend at least sixty percent (60%) of the scheduled meetings during their period of appointment.

B. The Committee shall meet at least quarterly and may call other meetings as required. At their second quarterly meeting of each year, the Committee shall elect a chairperson, and chairperson pro tem to conduct meetings.

C. Staff of the Community Development Department shall provide support services to the Committee including, but not limited to, preparation of application packets for financial assistance, recording and transcribing of the minutes of the meeting, addressing questions or concerns raised by the Committee during its review of applications, and maintenance, custody and security of all applications and related documents.

## 3. Eligibility and Committee Actions

The decisions of the Committee shall be based on the applicant's ability to finance needed home improvements. Information provided to the Committee to assist them in reaching their decision shall include, but not be limited to, the following:

A. The property inspection report prepared by the Housing Specialist, including a cost estimate.

B. The application.

C. Verified income data, existing assets and debt, appraisal information, and other financial information pertinent to the applicant.

D. Information on current income limits as published by the Department of Housing and Urban Development for the CDBG and HOME programs for Boone County, Missouri.

E. A copy of a credit report for adult household members.

F. Staff's recommendation.

Applicants are not required to appear before the Committee during its deliberations; however, they may request a personal interview while his/her/their application is under consideration.

#### 4. Committee Records

The record of the Committee's deliberations, decisions and recommendations are public information, however personal information including financial data, is considered confidential and shall not be available for public scrutiny.

### Rehabilitation Standards

1. Participant homes shall meet current City of Columbia Property Maintenance Standards and Minimum Housing Rehabilitation Standards for HOME assisted Projects at the completion of the project for projects over \$15,000.

2. Contractor workmanship shall conform to current Minimum Housing Rehabilitation Standards for HOME assisted Projects on file with the Housing Specialist.

### **Section 3: Contractors and Bid Process**

#### Qualified Contractor List

The Housing Specialist and Administrative Assistant will develop a qualified contractor list. The Housing Specialist will solicit new contractors by advertisement or newspaper at least one time per year. Minority and female owned contractors will be encouraged to participate. The Housing Specialist shall have the responsibility of interviewing prospective contractors and will determine if said contractors are qualified to participate in the Community Development Department's housing programs.

#### Contractor Qualifications

In order to qualify for the list, contractors must meet the following requirements:

1. Submit completed contractor application.

2. **WORKERS COMPENSATION INSURANCE:** The Contractor shall take out and maintain during the life of this Contract **Employers Liability and Workers Compensation Insurance** for

all of their employees employed at the site of the work, and in case any work is sublet, the Contractor shall require the subcontractor similarly to provide Workers Compensation Insurance for all of the latter's employees unless such employees are covered by the protection afforded by the Contractor.

Workers Compensation coverages shall meet Missouri statutory limits. Employers Liability limits shall be \$500,000.00 each employee, \$500,000.00 each accident, and \$500,000.00 policy limit. In case any class of employees engaged in hazardous work under this Contract at the site of the work is not protected under the Workers Compensation Statute, the Contractor shall provide and shall cause each subcontractor to provide Employers Liability Insurance for the protection of their employees not otherwise protected.

3. **COMMERCIAL GENERAL LIABILITY INSURANCE:** Contractor shall carry Commercial General Liability Insurance written on ISO occurrence form CG 00 01 07 98 or later edition (or a substitute form providing equivalent coverage) and shall cover all operations by or on behalf of the Contractor, providing insurance for bodily injury liability and property damage liability for the limits indicated below and for the following coverage:

- (1) Premises and Operations
- (2) Products and Completed Operations
- (3) Contractual Liability insuring the obligations assumed by the Contractor under this Contract.
- (4) Personal Injury Liability and Advertising Injury Liability

Except with respect to bodily injury and property damage included within the products and completed operations hazards, the general aggregate limit shall apply separately to the Contractor's project under this Contract. Completed Operations coverage must be maintained for the correction period provided by the agreement.

Limit of Liability. The Commercial General Liability policy limits shall not be less than:  
\$500,000 Each Occurrence (Combined Single Limit for Bodily Injury and Property Damage)  
\$500,000 Aggregate for Products/Completed Operations  
\$500,000 Personal Injury/Advertising Injury  
\$1,000,000 General Aggregate

**BUSINESS AUTOMOBILE LIABILITY INSURANCE:** The policy should be written on ISO form CA 0001, CA 0005, CA 0002, CA0020 or a substitute form providing equivalent coverage and shall provide coverage for all owned, hired and non-owned vehicles. The limit of liability should be at least minimums established by the State of Missouri, though it is recommended higher limits be maintained.

**SUBCONTRACTORS:** Contractor shall cause each Subcontractor to purchase and maintain insurance of the types and amounts specified herein.

**HOLD HARMLESS AGREEMENT:** To the fullest extent not prohibited by law, Contractor shall indemnify and hold harmless the City of Columbia, its directors, officers, agents, and employees from and against all claims, damages, losses, and expenses (including but not limited to attorneys fees) arising by reason of any act or failure to act, negligent or otherwise, of Contractor, of any subcontractor (meaning anyone, including but not limited to consultants having a contract with Contractor or a subcontractor for part of the services), of anyone directly or indirectly employed by Contractor or by any subcontractor, or of anyone for whose acts the Contractor or its subcontractor may be liable, in connection with providing these services. This provision does not, however, require Contractor to indemnify, hold harmless, or defend the City of Columbia from its own negligence.

4. If undertaking lead abatement activities, the general contractor must have a current supervisor's license and abatement contractor's license from the Missouri Department of Health.
5. Must have completed an EPA approved Lead Renovator training before undertaking any job disturbing lead painted surfaces.
6. All contractors must be properly licensed by the city.
7. Must have good credit with the appropriate materials suppliers, including credit references.
8. Must be able to supply the tools and materials necessary to complete each job.
9. Must have completed at least three jobs of the size and complexity requested to be completed.
10. References must be provided for at least three jobs completed.

#### Non-performing Contractors

1. Contractors who consistently exhibit poor workmanship or do not complete contract requirements will be eliminated from the contractor list. Contractors who do not complete their contracts within an allotted time period will not be eligible to submit bids for additional projects until they are in compliance within the appropriate contract time period. Contractors that do not honor the warranty provisions of their contract will be eliminated from the contractor list. Based upon the severity of any breach of contract, the city will take appropriate legal action or attempt to mediate contract disputes as is deemed appropriate by Community Development staff.

#### Contractor Selection

1. Contractors will be asked to submit an itemized bid containing a firm amount for each item on the work write-up for all housing repair programs. Community Development staff will receive bids on a specified date and time. Homeowners are responsible for selecting the contractor who will perform their work. Owners may select any contractor submitting a bid within 10% of the housing specialist's cost estimate. For Minor Home Repair projects less than \$1,000, owners may select

any contractor that has been pre-qualified by the City to conduct the needed repair work or alternatively may submit a proposal from a qualified contractor of their own choosing. In all cases, the owner may select a qualified contractor of their choice, provided the owner covers costs that exceed 110% of the inspector's estimate.

2. A contractor shall not have more than 3 Rehabilitation contracts awarded at any one time. A lower limit may be imposed at the Housing Specialist's discretion in order to ensure timely project completion. In all cases, the city reserves the right to reject any and all bids and reserves the right to eliminate bid items to meet the maximum loan amounts. Additionally, the city shall reject any bid proposals that are 30% above or 30% below the cost estimate for the project.

#### Owner-Contractors

1. Owner-contractor projects are not allowed in the City's housing rehabilitation programs unless the owner-contractor qualifies in accordance with the criteria listed above. Eligible costs shall be limited to materials, labor; subcontractors hired, and documented soft costs solely attributable to the project. The owner shall not be reimbursed for the cost of his own labor, overhead, and profit. Owners bid for work must be within ten percent of the City's cost estimate. The owner's contracting firm must be incorporated as a business within the State of Missouri.

#### Time Frames for Contracts

A. The contract period for housing rehabilitation projects shall not exceed 90 days, except as approved by Housing Specialist, and then shall not exceed 180 days without penalty to the contractor. The contract period shall begin when Community Development staff provide contractor with the Notice to Proceed.

### **Section 4: Home Ownership Assistance Program (HOA)**

#### Program Goals and Objectives

The purpose of the Home Ownership Assistance Program is to make homeownership more affordable for low to moderate households through down payment and/or closing cost assistance to qualified households purchasing a home within the City of Columbia. Applications will only be considered from qualified buyers with properties under contract.

#### Eligibility and Assistance Amounts

1. The applicant household must be at or below 80% of the median family income as defined by HUD to participate in the Home Ownership Assistance Program at the time their application is processed. Applicants with more than \$15,000 of identifiable resources readily available for the purchase of a home are ineligible.

2. The property must be located within the City Limits and not within a designated flood plain area or on land known to be the site of previous dumping of toxic or hazardous wastes. The property must meet City of Columbia minimum property maintenance standards, and HUD standards to be eligible. Mobile homes are not eligible.
3. The property must be maintained as an owner-occupied residence. The property owner must have hazard insurance on the property in a sufficient amount to cover existing liens. If the property is owned by more than one individual, all owners must sign required legal documents relating to the purchase.
4. Assistance shall be seven and one half percent (10%) of the purchase price or \$10,000, whichever is less. An additional grant of \$500 is also available to offset costs for lead hazard reduction.
5. Applicants must be first time homebuyers (an individual and his/her spouse who have not owned a home in the past three years), displaced homemakers, or single parents. A displaced homemaker is defined as an adult who has not worked full time, full year in the labor force for a number of years, but during such years worked primarily to care for his/her home and household, and who is unemployed and experiencing difficulty in obtaining or upgrading employment.
6. Dependent students are eligible if they are over age 23, a veteran, a ward of the Court, or a graduate student with a B.A. or B.S. degree. If none of these apply, the entire family's income would be used for the purpose of determining eligibility, whether or not the parent(s) will reside in the home to be purchased.
7. The applicant must sign a Promissory Note and Deed of Trust for the loan amount.
8. The property to be purchased must be an existing single-family dwelling within the City of Columbia city limits. The buyer must own and reside in the home as his/her primary residence for a minimum affordability period of ten years. If the property is sold or rented within the initial ten-year period, the assistance shall be repaid on a prorated basis that includes the balance of any unforgiven amount, less the monthly average amount forgiven for each month the home is occupied by the participant within the year the home is sold.
9. The buyer is required to obtain a home inspection from a certified home inspection firm prior to being approved for assistance. The printed report must include, at a minimum, inspection of the structural, mechanical, electrical, and plumbing components of the dwelling and an inspection for the presence of termites.
10. The buyer is required to provide a minimum of \$500 toward the purchase, from the buyer's own funds. Inspection, appraisal or other similar costs paid by the applicant are eligible when accompanied by a copy of original paid receipts.



11. The buyer must meet the front end (housing costs (PITI) to gross income) and back end (total debt to gross income) ratios established for the program (35% and 45% respectively). Ratios will be determined by lender underwriting criteria and definition of income. The buyer(s) must have an average combined credit score within 20 points of the current minimum Fannie Mae and Freddie Mac credit requirements, or demonstrate they have completed a City approved financial education course such as "Moneysmart".

12. The City's assistance is to be used only for closing costs and down payment assistance. Assistance cannot be used for items such as prepaid taxes, insurance, or lease payments under lease to own contracts. The buyer may receive cash back at closing, provided buyer cash towards the sale less the cash back at closing is equal to or greater than \$500 and cash back is used to allow the lender to reconcile initial estimates. The sales price shall not exceed the appraised value.

13. Maximum property values may not exceed 95 percent of the median purchase price for that type of single family housing for the area, as published by HUD. Lenders or potential homebuyers may contact the City of Columbia Community Development Department for more information on the maximum purchase price.

14. Applications must be received 30 days prior to the scheduled closing. Applications received that have closing dates scheduled in less than 30 days, may be subject to disqualification, unless the sale closing date is adjusted to meet the 30 day requirement.

15. Participation in a City-approved pre-purchase homebuyer's class must be documented prior to assistance being provided. Internet courses and/or videotapes for individual viewing cannot be substituted for class attendance. Participants must also receive Homebuyer Counseling in accordance with HOME Regulations 92,254(a)(3) from the City of Columbia or other HUD Certified Counseling Agency prior to executing a written agreement for assistance.

16. The homebuyer shall authorize the City of Columbia to collect and receive any information needed from the lender or other sources necessary to ensure eligibility and funding amount. Buyers shall authorize the City to be provided the final HUD Settlement Statement and Warranty Deed 24 hours in advance of closing and shall be provided the Buyer's signed copy of both documents immediately after closing.

17. Should a home or applicant be determined infeasible for Home Ownership Assistance due to a lack of funding or not meeting the eligibility criteria, the City reserves the right to reject the application.

### Lenders Procedure

A. Families must be pre-qualified by a participating lending institution. The lender will be the primary contact with the City of Columbia and will forward copies of required documents to staff of the Community Development Department. Lenders must willing to provide a copy of the

Buyer's underwriting file including, but not limited to, signed and completed Underwriters Worksheet & Summary, all collected information necessary to review and approve mortgage application.

B. Interest rates for participating buyers can be no more than three points above prime. If an adjustable rate mortgage is proposed for a participating buyer, lenders must provide information on the maximum loan rates for the buyer's application to be considered. ARMs will be approved as long as the maximum capped rates do not cause applicants to exceed the maximum allowed program "front end" and "back end" ratios (35% and 45%). The total costs to close the mortgage loan shall not exceed three points. City staff will provide all applicants with a HUD brochure on predatory lending.

C. Costs directly or indirectly related as a result of sales price increases to cover the Buyer's closing costs, must have the prior approval of the Community Development Department or become ineligible.

### Property Standards

A. Upon determining that an applicant meets eligibility criteria, a request for inspection will be submitted to the program's inspector, who will have up to two (2) business days to schedule an inspection of the property. This inspection must be completed prior to closing to determine if the property meets requirements of the City's Property Maintenance Code. Any defects found must be corrected prior to the release of homeownership assistance funds. A re-inspection of the subject property will be completed to ensure compliance with this requirement. Any code compliance issue that the inspector determines poses a significant health and/or safety risk must be corrected.

B. Houses built prior to January 1, 1978, must have an inspection to determine if deteriorated paint exists. Should the amount of deteriorated paint be greater than HUD's de minimis standards (10 square feet of exterior surface, one square foot of interior surface, or 10% of any building component, i.e. window and door trim), samples will be sent to a lab for analysis. If the paint is determined to contain lead above HUD's level of concern, paint stabilization of deteriorated surfaces is required before assistance can be provided. A grant of \$500 is available to participants for lead paint stabilization work. The stabilization must be completed by an individual or company trained in safe work practices. No assistance will be provided until the house successfully passes a clearance test performed by a certified lead risk assessor. The City will cover the cost of two clearance tests. The cost of subsequent tests will be the responsibility of the buyer or seller.

### Home Ownership Assistance Neighborhood Development (HOA ND)

HOA ND funds can be used for newly constructed or substantially rehabilitated housing under a formal agreement of the City of Columbia City Council with an approved non-profit Community Housing Development Organization (CHDO) or the Columbia Community Land Trust (CCLT).

HOA ND funds for local approved CHDOs will be identified through the CHDO RFP process and within the CHDO funding agreement and City approved underwriting guidelines. HOA ND funds for the Columbia Community Land Trust will be identified as properties are obtained and identified for redevelopment. First time homebuyer requirements do not apply. All other HOA program requirements and CCLT Homebuyer purchasing policies apply to HOA ND participants.

### Eligibility and Assistance Amounts

1. The Columbia Community Land Trust and City certified CHDOs shall be authorized to apply for these funds. It is the intent of the City to partner with private developers through the CCLT in order to meet provisions stipulated in 24 CFR 92.200 requiring jurisdictions to “make all reasonable efforts to maximize participation by the private sector.” These partnerships shall be formed with the intent of fulfilling affordable housing needs beyond the capacity of local Community Housing Development Organizations (CHDOs), rather than in a manner that competes with local CHDOs.
2. For all new construction projects or rehabilitation projects involving a change in land use, a Phase I Environmental Site Assessment (ASTME 1527-05) identifying no Recognized Environmental Conditions and full Environmental Assessment (EA), must be completed, at the expense of the CCLT for land to be obtained by the CCLT. The Phase I ESA and EA must be fully completed according to NEPA Part 58 and prior to purchase or accepting of donated lot. For City owned properties, the City will complete this required review and incur the expense at its sole discretion.
3. Homes must be developed or significantly rehabilitated in a manner to meet City rehabilitation standards and current City adopted Building Codes.
4. Homes must be located within the city limits of Columbia. Projects located within the 100 year floodplain are ineligible.
5. New construction projects must meet current City Building Codes and IECC standards. New construction homes must also meet the additional following design criteria:
  - Single or two car garage; or carport, provided that a minimum of 100 square foot of enclosed storage space is included within the carport or attached to the exterior of the house.
  - Passive radon venting system with rough-in for active system. A radon test must be completed and passed before the final draw will be released. Active radon mitigation fan will be installed at Contractor’s cost in the event radon test results are above EPA minimum level.
  - At least one accessible, no-step entrance with at least a 36” door on an accessible route from site entry point; max threshold height: ¼” vertical, ½” beveled (1:2 slope);
  - Maximum 1:20 running slope and 1:50 cross-slope for exterior accessible routes;
  - 36” wide clear travel space along accessible routes;

- 60" x 60" level (less than 2% slope in any direction) maneuvering space clear of door swing at accessible entrances; 18" clear space on pull side of door;
  - One wheelchair accessible bathroom;
  - Minimum 32" interior door panel and 42" hallways; 18" clear space on pull side of all doors, minimum of 30" x 48" approach space on push side.
  - First floor switches and environmental controls shall be placed no higher than 48 inches above the finished floor and electrical outlets no lower than 15 inches above the finished floor to bottom outlet. Any switches/outlet above kitchen cabinets/bathroom vanity shall be placed no higher than 45 inches above the finished floor to switch or top outlet;
  - Nominal 2x8 blocking placed in appropriate locations between studs to support installation of grab bars in the tub/shower and toilet areas of the wheel chair accessible restroom.
  - SIDING – FRONT, SIDES, & REAR: Engineered wood, or fiber cement board.
6. Eligible homebuyers must participate in a City-approved pre-purchase homebuyer's class and CCLT ground lease orientation course and must be documented prior to assistance being provided.
  7. The buyer is required to provide a minimum of \$500 toward the purchase, from the buyer's own funds. Inspection, appraisal or other similar costs paid by the applicant are eligible when accompanied by a copy of original paid receipts.
  8. The buyer must meet the front end (housing costs (PITI) to gross income) and back end (total debt to gross income) ratios established for the program (35% and 45% respectively). Ratios will be determined by lender underwriting criteria and definition of income. The buyer(s) must have an average combined credit score within 20 points of the current minimum Fannie Mae and Freddie Mac credit requirements, or demonstrate they have completed a City approved financial education course such as "Moneysmart".
  9. All projects funded directly through the CCLT shall be required to procure vendors in accordance with 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and current CCLT Accounting and Purchasing Procedures.

### Level of Subsidy

The HOA ND development subsidy shall be provided as a grant to the CCLT. The subsidy amount will be based upon the affordability gap defined as the difference between the "CLT Appraised Value" and the level of subsidy needed to obtain an "80% LTV ratio" and not to exceed \$50,000. The base price for the buyer shall be 80% of the CLT Appraised Value and shall be reached by providing a "gift of equity" to the buyer at closing. The appraisal shall be in accordance with Fannie Mae CLT appraisal provisions, which take into account the lease hold value of the property, resale provisions and monthly lease fee amount.

Prior to closing, the qualified lender for the participant shall also require a “CLT Appraisal” as defined by Fannie Mae guidelines for the project. The buyer’s CLT Appraisal shall be the final appraised value amount to determine the final level of subsidy to cover the “affordability gap” defined as the difference between the “CLT Appraised Value” and the level of subsidy needed to obtain an “80% LTV ratio” and not to exceed \$50,000.

### Project Underwriting Requirements

1. Project budget shall be supported with reasonable costs for all construction soft costs and hard costs consistent with industry standards. Costs shall be submitted within City approved “Form X.”
2. Development fees shall be estimated at no more than 10% of total builder costs.
3. Project underwriting shall be estimated in a manner to allow the CCLT the collect proceeds at sale equal to 5% of total builder costs.
4. Proceeds at sale shall be restricted to eligible uses identified within HOME regulations and as specified within the CHDO agreement, as applicable.
5. The final “sales price” listed on the closing statement shall be no more than the CLT appraised value per Fannie Mae CLT appraisal guidelines.
6. A gift of equity shall be provided to the buyer at closing to obtain the buyer’s “base price” which will be equal to 80% of the market appraised value.
7. Eligible participants shall pay the “base price” defined as the amount necessary to obtain an 80% LTV based upon the CLT Appraised value of the home and as noted in the CCLT Ground Lease.
8. All real estate within the program must have merchantable title as defined by the Missouri Bar Title Examination Standards and any objections must conform to those standards.
9. At closing on sale to qualified buyer, CHDOs shall convey the improvements to the eligible buyer by use of a Limited Corporate Warranty Deed for Improvements only and be subject to the CCLT’s most current ground lease for said property. At closing on sale to qualified buyer, CHDOs shall convey the land to the CCLT through a Limited Corporate Warranty Deed (Excluding Improvements).

### Funding Process

1. The City formulates a report for properties purchased or donated through the Acquisition and Demolition Program or acquired by the CCLT for an estimated subsidy amount. For rehab projects, this will include a checklist indicating items that must be addressed to

bring properties up to the City's property maintenance code and the City's Housing Rehabilitation Standard; and address hazardous materials on the site, including lead-based paint.

2. Staff compiles preliminary plans, specifications, project budget, Phase I ESA and completes a NEPA Part 58 Environmental Review to determine project eligibility and any required mitigation.
3. In projects involving a CHDO, an agreement is to be executed between the CCLT and with the CHDO completing the projects.
4. Upon CCLT approval, City staff will formulate an agreement to be considered between the City and the CCLT, as well as a staff report detailing project underwriting and resolution for Council consideration of the agreement.
5. Upon Council approval of the agreement, the CCLT or local CHDO will be authorized to proceed.
6. CHDOs are responsible for marketing and selling their homes to a qualified buyer, and City staff at its sole discretion will determine if the buyer meets income and eligibility criteria as defined by City HOA program guidelines and CCLT homebuyer selection policy criteria. The CCLT will be responsible for marketing and selling their homes to a qualified buyer in cases where they are acting as a developer.
7. Subject to compliance with all requirements satisfactory to the City, the City will provide HOA ND funds as part of the development and drawn down as costs are incurred. A subsidy that results in an 80% LTV ratio as it relates to the CLT appraised value shall be provided to the buyer. The subsidy shall be shown as a credit to the qualified buyer and identified as a "gift of equity" as allowed for by Fannie Mae in CLT home sales. Buyer loan to value ratio shall be determined by the final CLT appraised value of the property.
8. In projects involving a CHDO, the City and CHDO agreement shall require the land to be donated to the CCLT and only the improvements shall be sold subject to a qualified buyer and subject to the CCLT Ground Lease. Buyers shall execute all closing documents as the City may require.

## **Section 5: Demolition Program**

### **Goals and Objectives**

The goal of this program is to eliminate structures posing an imminent threat to the health and safety of neighborhoods and to provide an incentive for redevelopment of affordable housing.

### Eligibility

1. The demolition program serves only homes located within the NRT Area.
2. Buildings eligible for demolition must be determined to be infeasible for rehabilitation at \$30 per square foot, must be documented as being vacant for at least one year as defined by Section 104(d) of the Housing and Community Development Act, or be an imminent threat to the health and safety of the neighborhood
3. Financial assistance for demolition costs is provided to property owners as a low-interest loan.
4. The final use of the property must be consistent with the City's Consolidated Plan.
5. Where the final use of the property is for redevelopment of a building that is non-residential, or is residential and includes the construction of eight or more housing units, federal Davis Bacon prevailing wage rates apply to the project.
6. Properties held by a life estate are ineligible. Property must have clear title.

### Loan Terms

1. Loans are provided at 0% interest for the costs of demolition.
  - A. If the property is redeveloped with affordable housing as defined by the City of Columbia and HUD within 1 year of demolition, the demolition loan will be fully forgiven.
  - B. If the property is redeveloped with affordable housing as defined by the City of Columbia and HUD within 3 years of demolition, the loan will be 50% forgiven.
  - C. If the property is not redeveloped within 3 years, or is not redeveloped with affordable housing as defined by the City of Columbia and HUD, the loan will be due upon title transfer.

### City Acquisition

1. Property must be vacant at least one year as defined by Section 104(d) of the Housing and Community Development Act, unless posing an imminent public danger.
2. Buildings must be determined to be infeasible for rehabilitation at \$30 per square foot, or must be an imminent threat to the health and safety of the neighborhood.
3. The City Manager must approve the acquisition.
4. Properties will be purchased for the as is appraised value minus the cost of demolition.

## Demolition Procedure

All federal, state, and local laws and regulations shall be followed by contractors during the demolition and disposal of hazardous building materials.

1. Owner submits completed application to the Community Development Department.
2. Application review for completeness and eligibility.
  - A. Rehabilitation feasibility analysis performed on structure. City staff determines if the structure can be brought into compliance with the City's property maintenance code for \$30/square foot or less, and if the structure is an imminent threat to the health and safety of the neighborhood. Staff also verifies documentation of the building being vacant for at least one year as defined by Section 104(d) of the Housing and Community Development Act.
  - B. The proposed use of the property will be considered to determine the terms of the loan.
    - i. For uses not meeting a HUD CDBG National Objective, or City Consolidated Plan Objectives, demolition loans will be amortized at 1% with the loan balance due upon sale of the property. The loan shall be due in full if after 2 years, affordable housing redevelopment has not occurred and the property has not been sold.
    - ii. For uses that do meet HUD CDBG National Objectives and City Consolidated Plan Objectives, demolition loans will be fully forgiven if redevelopment occurs within 1 year of demolition, or loans will be 50% forgiven if redevelopment occurs within 2 years of demolition. The balance of the demolition loans falling under this category will be 0% interest and due upon sale of the property.
3. Lead-Based Paint, Asbestos, and Sewer Inspection
  - A. For all homes built prior to 1978, the City requires a Lead Risk Assessment and remediation report, and final clearance by a certified Risk Assessor.
  - B. Asbestos inspection and remediation report completed is required for any building built before 1980.
  - C. Sewer tap inspection completed by Public Works and cost estimate provided by City staff.
4. Environmental Review
  - A. The City completes the environmental review of the proposed demolition site. This review may take up to 60 days.



B. Work-Write Up and Procurement of Contractor

C. City staff develops a work write-up and secures bids from qualified contractors. Applicants may secure demolition bids from qualified contractors, provided that all City and HUD contractor requirements are met before the bid is awarded.

5. Agreement for Demolition

A. City staff prepares the Agreement containing the terms and conditions of the funding assistance. This agreement shall be between the City and the property owner and shall include the conditions of the closing and loan documents, and a timeline for completion.

6. Demolition Permit Application and Historic Preservation Notice

A. The contractor applies for a Demolition Permit.

B. 10 day notice for Historic Preservation and public comment is completed.

C. Notice to proceed is provided to contractor/owner.

7. Construction Inspection Completion and Draw of Funds

A. City staff inspects the completed work.

B. Contractor provides support documentation to City staff for draw of funds including but not limited to: invoices, lien waivers, and disposal tickets.

**Section 6: Rental Production**

Goals and Objectives

1. The City of Columbia (the City) supports the construction of new affordable rental housing for very low income households with its annual HOME funding allocation. The City's HOME funds will be used to provide gap financing to projects funded through the Missouri Housing Development Commission (MHDC) Rental Production Program. Current MHDC Funding Rental Production funding sources include:

- Federal and State Low-Income Housing Tax Credits
- State of Missouri Affordable Housing Tax Credits
- Low Interest Loans allocated by MHDC
- State of Missouri HOME funding allocation
- The Missouri Housing Trust Fund

## Application and Evaluation Procedure

1. Applications for HOME Rental Production funding can be submitted at any time throughout the program year. If funds are not currently available, applications will be reviewed as a part of the City's next annual RFP process, which typically has a May 1<sup>st</sup> deadline.

## *Funding Availability*

1. In the event that HOME funds have been set aside and are currently available for Rental Production, City staff will conduct a review and analysis of the project and developers will be provided the opportunity to present their proposed project to the Community Development Commission (CDC). The CDC will vote on all funding recommendations. Funding recommendations will be taken before Council for approval. Projects seeking City HOME funds prior to the receipt of all other funding sources, including state or federal tax credit reservations, may be provided with non-binding preliminary awards. Only projects with firm commitments for other funding may receive binding commitments. Eligible Rental Production projects will be provided funding commitments upon Council approval and may be contingent upon the City's receipt of the HUD Authority to Use Grant Funds form following completion of the Environmental Review process.
2. As mentioned above, if HOME funds are not currently available, Rental Production Applications will be reviewed as a part of the City's annual RFP process (deadline typically May 1<sup>st</sup>).

## *Submission of Materials*

1. All HOME Rental Production Program applicants will need to complete the City's standard CDBG/HOME application and submit supporting documentation and due diligence items identified in Exhibit A. The City reserves the right to require the submission of additional information as needed to complete project underwriting.
2. Rental Production applicants seeking funding from MHDC must also submit a copy of their completed MHDC application, including all attachments.

## Project Funding Requirements

### *Eligibility Criteria*

1. The City will fund developers and owners of affordable rental housing, including for-profit developers, non-profit developers, CHDOs, and the Columbia Public Housing Authority with City HOME Rental Production Program funds. Public housing units supported Public Housing Capital or Operating funds authorized by the 1937 Act are not eligible for HOME, however non-public housing units owned and developed by the PHA are eligible. The City

generally will not fund individual owners of rental property, such as private individuals owning single family residential rental property. Prior to committing funds, the City will review the status of any organization seeking funds from the CHDO set-aside to ensure that it meets all HOME requirements and that it has sufficient staff capacity to carry out the project.

### *Project Types*

1. Funds will be provided for new construction or substantial rehabilitation projects also funded with LIHTC. The City will also consider projects receiving other federally regulated affordable housing programs such as HUD Section 202 or Section 811, HOPE VI, or Choice Neighborhoods. Projects shall generally be new construction of multifamily apartment communities on single or adjacent sites, generally of 30 or more units. The City will not fund SROs or projects on scattered sites.

### *Parameters of HOME Investment Funding*

1. Applications must include an investment of \$1,000 in HOME funds per HOME unit. The City will not award more than \$50,000 per HOME-assisted unit with a maximum cap of \$500,000 per development. In no case will the City investment exceed the maximum HOME investment allowed under 24 CFR 92.250.
2. Additionally, for projects involving both City and State HOME funds, the combined HOME funding investment shall not exceed \$100,000 per HOME-assisted unit or the maximum HOME investment allowed under 24 CFR 92.250, whichever is less.

### *Eligible Costs*

1. Costs funded with the City's HOME funds must be eligible according to HOME Final Rule 24 CFR 92.206. In general, the City will limit its funding to the acquisition and hard costs of construction. The following additional limitations also apply:
  - A. HOME funds shall not be used for luxury improvements according to 24 CFR 92.205.
  - B. HOME funds shall not be used to fund an initial operating deficit reserve.
  - C. Acquisition costs shall be supported by an appraisal of the property. Acquisition costs exceeding the appraised value of the property will be ineligible for HOME funding reimbursement.
  - D. HOME funds shall not be used for non-residential accessory structures such as free-standing community/leasing buildings, garages, carports, or maintenance structures. HOME funds may be used for community space or common laundry facilities included in residential buildings.

- E. Payments will be on a reimbursement basis and a draw of funds will not be completed until all necessary documentation is received by staff, including a draw request form, invoices for work completed, inspection and approval of work by the City Division of Building and Site Development.
- F. Developers shall allow additional time for City staff to verify completion of work through on-site inspection, before draw requests are processed.

### *Property Standards*

1. To meet both HOME regulations and City goals, all HOME-funded projects must meet certain physical standards intended to provide quality affordable housing that is durable and energy efficient.
2. Construction must meet all local codes including International Building Code 2009 and the International Energy Conservation Code 2009 as adopted by the City of Columbia.
3. All new construction projects must be certified under the most current Energy Star New Homes (projects 3 stories or less) or Energy Star Standards for Multifamily High Rise Buildings rating system. For more information please follow the link below:  
[www.energystar.gov/index.cfm?c=multifam\\_housing.bus\\_multifam\\_housing](http://www.energystar.gov/index.cfm?c=multifam_housing.bus_multifam_housing)
4. All HOME projects must meet applicable Section 504/UFAS requirements. New construction projects with 5 or more HOME-assisted units must provide 5% of the development's units for physically disabled occupants and another 2% of units designed to be accessible to those with visual or hearing impairments. Additionally, covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements required by the Fair Housing Act as outlined in 24 CFR 100.205.
5. All ground floor or elevator accessible units in multi-family structures funded with HOME funds shall be visitable and meet the following minimum Universal Design requirements:
  - A. Have at least one no-step main floor entry with a threshold of ½ inch or less;
  - B. All doorways on the main floor must be 32 inches wide when open at a 90 degree angle; and
  - C. All main floor hallways must be at least 42 inches wide;
  - D. All main floor bathrooms must include blocking for future grab bar installation which is not less than 33 inches and no more than 36 inches above the floor (this does not require grab bars actually be installed during construction, just that blocking be put in place); and

- E. Each unit must be provided with at least one half-bathroom on the main floor with i) a clear floor space of 30 by 48 inches centered on and contiguous to the sink that is not encroached by the swing path of the bathroom door and ii) a sink and toilet that allow for parallel or head-on approach by a person in a wheelchair.
6. Any project involving the rehabilitation of existing structures must comply with the Lead Based Paint requirements of 24 CFR 92.355. In general the City prefers that any project with lead based paint be fully abated such that it can be deemed lead free upon project completion.

#### *HOME Unit Allocation*

1. In general, HOME units will be “floating units” and evenly distributed among the unit types in the development. If the development’s units are not comparable, “fixed units” must be designated. In the case of developments with comparable units, the City will designate units as HOME-assisted in proportion to the percentage of HOME investment in the transaction or the total HOME investment divided by \$50,000, whichever is greater. For example, if HOME represents 10% of the project’s total HOME-eligible cost, at least 10% of the units will be HOME units.
2. HOME-assisted units shall be designated as either “High HOME units” or “Low HOME units.” In projects with five or more HOME-assisted units, at least 20% of the HOME-units, rounded up to a whole number, must be designated as Low HOME units. Generally the City will only designate the minimum number of Low-HOME units required unless the applicant requests that additional Low-HOME units be designated to coordinate income and rent restrictions with other project requirements.

#### *Income and Rent Restrictions*

1. To qualify as affordable housing, HOME units must be rented only to households with certain incomes at rents regulated by the program to be affordable to low income households.

#### *Income Limits*

1. High HOME units must be occupied by tenants with household incomes at or below 60% of the Area Median Income (AMI); and
2. Low HOME units must be rented exclusively to tenants with household incomes at or below 50% AMI.

#### *Rent Limits*

1. High-HOME units must be rented at or below the High-HOME rent as published by HUD. In general, HUD will calculate the High-HOME rent to be the lesser of the applicable Fair Market Rent or a rent equal to 30% of 65% of the adjusted area median income, adjusted for unit size.
2. Low-HOME units must be rented at or below the Low-HOME rent as published by HUD. In general, HUD calculates the Low-HOME rent to be the lesser of the applicable Fair Market Rent of a rent equal to 30% of 50% of the area median income, adjusted for unit size.

#### *Adjustment Tenant Paid Utilities*

1. The High- and Low-HOME rent limits are gross rent limits. The actual rent collected from a tenant must be adjusted taking into account an allowance for tenant paid utilities.
2. The City must approve the development's utility allowance.

#### *Income Verification*

1. All projects shall use the HUD Part 5 definition of income for determining income eligibility. Prior to signing a lease, income must be verified for all new tenants using source documentation in accordance with 24 CFR 92.203(a)(1)(i). When available, the City prefers the use of 3<sup>rd</sup> party verification as the primary means of documenting income.
2. During the period of affordability, owners can re-certify the income of existing tenants accordance with one of the options in 92.203:
  - A. Re-verifying income through source documentation;
  - B. Obtaining a written statement from the family regarding annual household income. However, source documentation for all existing tenants must be reviewed at least every 6<sup>th</sup> year of the affordability period; or
  - C. Obtaining a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family.

#### *Rent adjustments*

3. HUD provides HOME income and rent limits on an annual basis. City staff will provide this information to owners annually. Utility allowances will also be reviewed and adjusted, as needed, annually. Owners must obtain City approval before implementing HOME unit rent increases. Owners shall also provide not less than 30 days' written notice to tenants upon receiving City approval for HOME unit rent increases.

4. HOME assisted units are considered to be compliant despite a temporary increase in income exceeding HOME requirements for existing tenants. However, in such cases there are detailed requirements about how to adjust the rent of such tenants and how to restore overall project compliance. These are outlined in the HOME Model Guide “Compliance in HOME Rental Projects: A Guide for Property Owners,” which is available online at: [http://portal.hud.gov/hudportal/documents/huddoc?id=19760\\_2009homerentalpo.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=19760_2009homerentalpo.pdf)
5. For projects with floating units, when an existing tenant’s income increases beyond 80% AMI adjusted for household size, the tenant’s gross rent will be increased to the lesser of the unassisted market rent for the unit or 30% of the tenant’s adjusted household income. When the income of an existing tenant of a Low-HOME unit increases above 50% AMI but is below 80% AMI, the rent for that tenant will be increased to the High-HOME rent. In both cases, the next available unit in the project should be rented, based on the project’s compliance needs, as a Low- or High-HOME unit.
6. Notwithstanding, over-income tenants of HOME assisted units that have been allocated low-income housing tax credits by MHDC must pay rent according to section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42).

#### *Environmental Review Requirements*

1. Federally assisted projects are subject to a variety of environmental requirements. Developers should be familiar with these requirements and are strongly encouraged to discuss any questions they have with City staff prior to entering into a purchase agreement or submitting an application.
2. All rental production projects shall be implemented in accordance with environmental review regulations as defined 24 CFR Part 58.
3. The City of Columbia shall be responsible for conducting the environmental review and completing all necessary public notifications, and the request for release of funds (RROF) from HUD. The applicant is responsible for cooperating with the City in the environmental review process and providing information necessary for the City to fulfill its responsibilities under Part 58 and other applicable regulations.
4. Submitting and application for HOME funds triggers environmental review requirements under 24 CFR 58, including the National Environmental Policy Act (NEPA). Once an application for federal funds is submitted, a development proposal is now subject to the environmental review requirements and requires an environmental clearance and issuance of a Release of Funds (ROF) by the US Department of Housing and Urban Development.

5. Developers are prohibited from undertaking or committing or expending any funds to (including non-federal funds) any physical or choice-limiting actions on the site prior to an environmental clearance as required by Part 58. Physical and choice limiting actions include, but are not limited to, property acquisition, demolition, movement, rehabilitation, conversion, repair or construction. This prohibition applies regardless of whether federal or non-federal funds are used, and taking a choice limiting action prior to completion of required the environmental clearance process will result in the denial of any HOME funds from the City.

*Other Federal Requirements,*

1. Nondiscrimination and Equal Opportunity

The following federal nondiscrimination and equal opportunity guidelines apply to all rental production projects and affect both development and operation of assisted housing:

- A. The Fair Housing Act (42 U.S.C. 3601-19) and implementing regulations at 24 CFR part 100 et seq.;
- B. Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 CFR part 107;
- C. Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d- 2000d-4) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 CFR part 1
- D. The Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) and implementing regulations at 24 CFR part 146
- E. Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at part 8 of this title
- F. Title II of the Americans with Disabilities Act, 42 U.S.C. 12101 et seq.; 24 CFR part 8; section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135;
- G. Executive Order 11246, as amended by Executive Orders 11375, [[Page 41]] 11478, 12086, and 12107 (3 CFR, 1964-1965 Comp., p. 339; 3 CFR, 1966- 1970 Comp., p. 684; 3 CFR, 1966-1970 Comp., p. 803; 3 CFR, 1978 Comp., p. 230; and 3 CFR, 1978 Comp., p. 264, respectively) (Equal Employment Opportunity Programs) and implementing regulations at 41 CFR chapter 60;



- H. Executive Order 11625, as amended by Executive Order 12007 (3 CFR, 1971- 1975 Comp., p. 616 and 3 CFR, 1977 Comp., p. 139) (Minority Business Enterprises); Executive Order 12432 (3 CFR, 1983 Comp., p. 198) (Minority Business Enterprise Development).
  - I. Executive Order 12138, as amended by Executive Order 12608 (3 CFR, 1977 Comp., p. 393 and 3 CFR, 1987 Comp., p. 245) (Women's Business Enterprise). The nondiscrimination provisions of Section 282 of the National Affordable Housing Act of 1982.
- 2. Uniform Relocation Act (URA)
    - A. All rental production projects fall under requirements of the URA. To ensure compliance with URA, applicants should consult the City to the requirements of URA prior to submitting an application involving an occupied property. Any project resulting in permanent relocation/displacement of households will not be funded by the City of Columbia. Applicants must further document that any purchase of property meets the requirements of URA, including provision of notices to the seller identifying the transaction as a voluntary sale not under the threat of eminent domain.
- 3. Davis Bacon
    - A. Davis Bacon federal prevailing wage requirements shall apply to all rental production projects with 12 or more units assisted with HOME funds.
- 4. Minority Business Enterprise and Women Business Enterprise (MBE/WBE) Plan
    - A. Developers must maintain a MBE/WBE plan that demonstrates marketing and solicitation of MBE/WBE businesses and contractors for the construction of the project.
- 5. Section 3
    - A. Developers must maintain a Section 3 plan that demonstrates a marketing plan to include Section 3 contractors in the construction of the project.

### Ongoing Project Requirements

#### *Period of Affordability*

- 1. The period of affordability will be based on the date of project completion as defined by 24 CFR 92.2 which, among other things, requires that all construction activity be complete, all HOME funds drawn from the US Treasury, and the project be formally completed within HUD's IDIS reporting system.

2. In accordance with the minimum requirements of 24 CFR 92.252(e), HOME funded projects shall maintain HOME affordability requirements as follows:

A. For any new construction project, 20 years after project completion;

B. For projects involving rehabilitation:

i. 5 years after project completion if total HOME funds are less than \$15,000 per HOME-assisted unit;

ii. 10 years after project completion if total HOME funds are \$15,000 or more and less than \$40,000 per HOME-assisted unit; and

iii. 15 years after project completion if total HOME funds are \$40,000 or more per HOME-assisted unit.

### 3. Marketing and Leasing

A. The owner must establish a written tenant selection plan consistent with the requirements of 24 CFR 92.253(d). Among other requirements, the tenant selection plan must, insofar as is practical, provide for the selection of tenants from a project's waiting list in chronological order of their applications and provide written notification to any rejected applicant of the reason for their rejection.

B. All HOME funded projects with five(5) or more HOME-assisted units must establish an affirmative marketing plan detailing marketing procedures to attract eligible occupant without regard to race, color, national origin, sex, religion, familial status, disability, or sexual orientation. Affirmative marketing plans shall include all required aspects as stated in 24 CFR 92.351(a)(2). The City will accept affirmative marketing plans using the most recent version of form HUD-935.2A, a format approved by the Missouri Housing Development Commission, or in another format as may be specified by the City from time to time. HUD-935.2A is available online at the following link:  
<http://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf>

C. Leases between the tenant and owner shall be for one year, unless by mutual agreement between the tenant and the owner. Owners are required to provide 30 days' written notice prior to terminating or refusing to renew the lease. Owners are prohibited from including unfair provisions in HOME project leases. In accordance with the provisions of 24 CFR 92.253, the following terms are prohibited from HOME project leases:

- i. Agreement to be sued
- ii. Treatment of property
- iii. Excusing owner from responsibility
- iv. Waiver of notice
- v. Waiver of legal proceedings
- vi. Waiver of a jury trial
- vii. Waiver of right to appeal court decision
- viii. Tenant chargeable with cost of legal actions regardless of outcome

#### 4. Reporting and Recordkeeping

- A. To allow effective oversight of funded projects and document compliance with applicable HOME requirements, all projects must submit periodic reports to the City. While this section outlines standard reporting requirements, the City reserves the right to require additional reporting or to alter the reporting format or frequency based on future changes to HOME requirements or City policy. Additionally the City reserves the right to require additional or more frequent reporting for projects with compliance deficiencies.
- B. Owners are required to report quarterly during the development phase and lease-up phase.
  - i. During the construction phase, owners must provide quarterly reports detailing construction progress and expenditure of HOME funds including progress and barriers to progress.
  - ii. During the initial phase of lease-up, owners are required to provide quarterly reports detailing number of additional leases, total project leases, and marketing activity. Once the owner has leased 90% of project units, leasing and marketing reporting will be required annually.
- C. Annual Reports shall be required for all HOME projects, shall be completed in accordance with City of Columbia Annual Rental Production Monitoring Form. Annual reporting requirements will, at a minimum, consist of the following information:
  - i. Owner;
  - ii. Project name;
  - iii. Rent Roll indicating occupancy, tenant income, rents, and utility allowances for all Low- and High-HOME units;
  - iv. Outstanding loans on the property;
  - v. Development yearly financial performance including:
    - o Operating surplus or deficit;
    - o Vacancy rate;
    - o Rent collection rate; and
    - o Tenant turnover;
  - vi. Waiting list; and
  - vii. Capital expenditures (previous year and any planned for next 3-5 years).
- D. The City may require more frequent reporting due to findings identified during annual monitoring, or findings identified during quarterly reports submitted during the development and lease up phases.

- E. All HOME projects shall be required submit an annual audit prepared by an independent Certified Public Account.
- F. Owners and developers shall allow City of Columbia, HUD, State of Missouri, the Comptroller General of the United States (aka the GAO), and all other pertinent Federal or State agencies or their designated representative the right to inspect records and property.
- G. Owners must maintain an affirmative marketing plan and records of annual efforts to affirmatively further fair housing in accordance with 92.356.

## 5.Conflict of Interest

- A. To comply with HOME requirements and to maintain a high standard of accountability to the public, conflicts of interest and perceived conflicts of interest must be avoided.
  - i. Owners shall maintain compliance with all HUD conflict of interest provisions as stated in 92.356.
  - ii. Owners with employees, family members, consultants, or agents that are otherwise eligible to occupy HOME funded units must receive waiver/approval from City staff before entering into a lease with HOME eligible employees. 92.356(f) provisions apply to all HOME projects.
  - iii. Owners must disclose any identify of interest situations that may occur when contracting with related companies during either the development or ongoing operation of the project. City staff must be allowed the opportunity to conduct a cost analysis to determine costs reasonableness. Applications may be determined ineligible if access is not granted or costs are determined to be unreasonable.

## Structure of Transaction

### 1.Loan Types and Terms

- A. The City will provide HOME funds in the form of a loan to the entity that owns the property. No grants will be awarded, and funding commitments are not transferable without prior written City approval.
- B. In all cases, the HOME loan will:
  - i. Have a term of 25 years;
  - ii. Be repayable in full upon sale, refinancing, or transfer of the property or upon maturity; and

iii. Secured with a promissory note, Deed of Trust, and appropriate UCC liens. Deeds of Trust will be recorded with the Boone County Recorder of Deeds and generally may be subordinate only to an approved amortizing first mortgage and to any loan provided by MHDC.

C. The City will offer one of two potential repayment structures:

- i. Most loans will carry a 1% interest rate, require monthly payments, and be fully amortizing over a 25 year term; or
- ii. Based on a City underwriting analysis, usually for projects serving a high-proportion of very low income households or special needs populations, loans may be cash-flow contingent. In such cases, the HOME loan will accrue 1% simple interest and payments, credited first against accrued interest and then against principal, will be equal to 25% of annual cash flow.

2. Guarantees

A. Not including investor/syndicator partners or members of the ownership entity, all underlying individuals, corporate entities, partnerships, or limited liability companies with an interest in the project's ownership entity will be required to provide a Performance Guarantee including provisions guaranteeing project completion, environmental compliance, and compliance with HUD HOME guidelines. Guarantees shall be joint and several and must remain in effect throughout the affordability period.

3. Property Covenants and Restrictions

A. Each HOME funded project property must maintain Covenants and Restrictions enforcing HOME and City guidelines. The Covenants and Restrictions will be separately recorded and will remain in place for the Affordability Period even if the HOME loan is pre-paid. The following guidelines must be enforced through Covenants and Restrictions:

- i. Owner will be owner in fee simple of the property;
- ii. Property is not subject to additional liens or encumbrances that the City has not agreed to;
- iii. The City must approve any transfer of the property. Such approval will be in the City's sole discretion;
- iv. Provisions to enforce ongoing requirements for project compliance through the HOME Affordability period, including:
  - The length of the period of affordability;
  - Income and rent restrictions on HOME-assisted units;
  - Property standards to be enforced;

- Marketing and leasing requirements; and
- Recordkeeping and reporting requirements.

#### 4. Operating Agreement

- A. In addition to any financing documents, owners of HOME-financed projects must sign an operating agreement with the City of Columbia. The operating agreement will identify requirements for compliance with the HOME regulations and the City's Rental Production Program requirements and will remain in effect in the event of any prepayment of the HOME loan.

#### Underwriting & Subsidy Layering Reviews

1. All HOME project applications must include a third-party market study prepared in conjunction with the Owner's LIHTC application. Market studies must be less than 1 year old. Proposed rent levels must be supported by the applicant's market study and within HOME regulatory limits.
2. All HOME applications must include financial statements from all underlying owners and guarantors. Owners must have a net worth equal to 10% of the total development cost with net liquid assets equal to 3% of the total development cost.
3. City staff will utilize the follow project underwriting criteria for all HOME funded Rental Production projects:
  - A. Vacancy factor of at least 7% for family developments and at least 5% for elderly developments.
  - B. City staff will use a maximum 2% inflation factor for all sources of income.
  - C. All operating expenses will be underwritten with an inflation factor of at least 3%.
  - D. All HOME projects must maintain a total project DCR of 1.20. Properties with a DCR that exceeds 1.20 may have rent increased, reduced, or denied.
  - E. Proposals must include justification of operating costs that includes a comparison to similar projects in the local market. Whenever possible, comparable properties should be operated by the proposed management company.
  - F. A capitalized operating reserve equal to at least six months of operating expenses, reserve deposits, and debt service must be established. HOME funds cannot be used to establish this reserve.
  - G. Replacement Reserves:

- i. At a minimum, projects must make replacement reserve deposits of \$600 per unit per year. Reserve deposits will be inflated at 2% annually.
- ii. For projects involving rehabilitation of existing property, a Capital Needs Assessment must be obtained, taking into account the existing condition of the property, the remaining useful life of building systems and components, and the proposed scope of work. Based upon the Capital Needs Assessment, a capitalized deposit to the replacement reserve may be required to ensure that all anticipated capital costs can be addressed during the affordability period.

## 5. Cost Limitations

- A. All project costs must be reasonable and customary. The City reserves the right to review any line-item cost to ensure that total project costs are not excessive. Additionally, HOME projects will be subject to the following specific cost limitations:
  - i. The maximum allowable developer fee is 15% total development costs.
  - ii. Maximum allowed builder General Requirements, Overhead, and Profit are 6%/2%/6%.
  - iii. Architectural fees may not exceed 7% of total project hard costs.
  - iv. Acquisition costs are limited to fair market value as determined by a third party appraisal.

## 6. Other Public Funding Sources

- A. Owners must disclose all other public source or applications for funding with initial HOME Rental Production application to City at the time of application and upon receiving any additional commitments of public source funding.
- B. The City will consider adjusting its underwriting in consultation with other public funders including MHDC. The City retains, at its sole discretion, the power to decide whether to accept alternative standards.

## Construction Process

1. Whether or not a specific monthly draw is being submitted to the City to be paid with HOME funds, the City must be provided with copies of all contractor invoices and provided reasonable notice of monthly draw inspections during the construction period. City staff will participate in all draw reviews and conduct inspections to ensure that the project is progressing and that work completed is consistent with all applicable HOME requirements.
2. When Davis Bacon applies to a project, the City must be provided with compliance documentation throughout the construction period whether or not a specific draw is being submitted to the City to be paid with HOME funds. Prior to commencing construction, the City must approve current wage determinations applicable to the project. The contractor will be required to provide weekly payroll forms to the City and allow access to the site and workers for the purpose of completing worker interviews. The City will accept Form WH-47 or acceptable internal forms from the contractor. Form WH-347 and instructions for completing it may be accessed at <http://www.dol.gov/whd/forms/wh347instr.htm>.
3. Owners may draw on the HOME loan during the development period. The first draw on a project must occur within 12 months of the City's formal funding commitment to a project, and draws must be made not less than once every 12 months. No more than one monthly draw may be submitted. The draw process will involve the following steps:
  - A. Owners must submit a City draw request form accompanied by supporting documentation (i.e. invoices for specific costs being drawn);
  - B. Upon receipt of a draw request, City staff will perform an on-site inspection to verify costs submitted.
  - C. Draw requests that include construction costs will not be processed by City staff until applicable permits have been closed by City Building and Site Development staff.
  - D. City staff will hold 10% retainage on all draw requests until project construction is complete and a certificate of occupancy has been awarded to the development.
  - E. All Change Orders involving changes in scope of work must receive written approval from the City of Columbia, Director of Community Development.
  - F. Draws will not be processed if any required owner or contractor reporting on progress, Davis Bacon compliance, or other project requirements is delinquent or unacceptable to the City.



## 7. Project Closeout

- A. Owners are required to submit demographic data at least up for all HOME funded units. Data shall include elderly status, race, gender, female head of household, number of household members, and percent of area median income. Owners must be aware that the affordability period does not begin for HOME funded units until all project costs are processed, all demographic data is verified by City staff, and the project is entered as completed in the HUD Integrated Disbursement and Information System (IDIS).
- B. The City requires a copy of the final project sources and uses statement and submission of the project LIHTC Cost Certification before final completion in IDIS.

### Long Term Monitoring

1. Following project closeout, the City will monitor the project for ongoing compliance with HOME requirements, including but not limited to income and rent restrictions, property standards, tenant protections, and marketing and fair housing requirements. In addition to requiring periodic reporting as outlined in Section X above, the City will conduct on-site monitoring visits. The purpose of those visits will include reviews of project records and inspection of the premises including common areas and residential units. In most cases, such reviews will take place annually based on existing HOME requirements at 24 CFR 92.504(d)(1). However, the City reserves the right to conduct site visits more or less frequently based on changes to HOME regulations and City policy or based on evidence of compliance deficiencies in a prior monitoring visit.

### Exhibit A: Application Requirements and Due Diligence Exhibits

**Instructions:** To apply for funding, applicants must submit the City's CDBG/HOME application along with all bolded due diligence items from the list below. Applicants will need to submit all items, including non-bolded items, prior to receiving a formal commitment of funds from the City and should submit all items that are available with their initial application.

The City reserves the right to require additional due diligence items as needed to evaluate the project, document compliance with HOME and other applicable federal regulations. Additionally, following a commitment of HOME funds, additional items will be required in order to close on the City's HOME loan.

#### **Application**

- **City CDBG/HOME Application**
- MHDC Rental Production Programs Application and all exhibits submitted to MHDC (for any development seeking LIHTC or other funding from the MHDC)

#### **Developer Capacity & Fiscal Soundness**

- **Developer statement of qualifications that identifies (City will accept MHDC form FIN-105 and FIN-107)**
  - Recently completed comparable projects
  - All projects underway and/or pending
  - Staff assigned to this project and their roles and experience
- **Individual resumes, copies of appropriate licenses and/or professional certifications of assigned developer staff**
- **Current financial statements for developer and any guarantors (not less than 90 days old)**
- **Most recent corporate audit or reviewed financial statements**
- **Most recent tax returns for developer (990s for nonprofit developers)**
- **Authority to Release Confidential Information. Will allow City to:**
  - Contact Banking references
  - Obtain developer's corporate credit report (e.g. Dun & Bradstreet) or personal credit report (e.g. sole proprietors, S-corps, etc.)
- **Completed CHDO Staff Experience & Organizational Capacity Checklist (as applicable)**
  - Current year budget with comparison of actual performance YTD vs. projections
- **Development team**
  - List of third-party development team members
  - Corporation profiles and/or individual resumes, copies of appropriate licenses and/or professional certifications for development team members (The City will accept the use of MHDC FIN-105 and Management Entity Profile forms.)

### **Site and Product**

- **Evidence of site control (e.g. option, purchase agreement, or deed)**
- **Uniform Relocation Act documentation**
  - **URA Notice to Seller of Voluntary Sale**
  - **Seller certification regarding vacancy (as applicable)**
  - **Rent Roll and evidence of General Information Notices to existing tenants (occupied properties only)**
- Preliminary Title insurance commitment
- Documentation of existing property value (e.g. tax assessment, appraisal, etc.)
- Assessment record—or other public record documenting date of original construction for rehabilitation projects, shows applicability of LBP and/or historic reviews
- Site specific environmental record and (as applicable) estimate of remediation costs
  - Radon and mold testing (as applicable)
  - LBP risk assessment (as applicable)
- Documentation of utility availability and connection costs
  - Water/sewer, electric, gas
- Plans and specifications, including site plan and elevation drawings

- Zoning/site plan and building/code review approvals
- Utility allowance calculations

### **Market Data**

- **Market study**
- Additional Evidence of demand—applications/waiting lists from similar projects, voucher/rental assistance pipelines, or Continuum of Care data for homeless/special needs projects, etc.

### **Underwriting/Financial Projections**

- **Proforma showing rent and operating cost projections, all project costs, construction period sources/uses, and capital needs assessment (*The City prefers applicants use the MHDC proforma, should be submitted in both hard copy and Excel format.*)**
- Commitments for other financing, both permanent and construction loan sources
- Documentation of construction/rehabilitation costs (e.g. estimate by qualified individual, bids, contract documents)
- Estimates/documentation of professional services and soft costs (e.g. architectural fees, construction period taxes/insurance, marketing expenses, realtor listing agreement, etc.)

### **Marketing and Leasing**

- Marketing plan outlining
  - Tenant selection criteria and waiting list procedures
  - Description of primary market and outreach strategies, including affirmative marketing as applicable
  - Availability of tenants services and appropriate referral plan
- Waiting list(s) of interested tenants—compare demographics to underwriting assumptions about household incomes, ability to pay projected rent, etc. (if available)
- Form lease agreement consistent with 92.253

## **Section 7: Processing Loans**

### **Processing and Approval of Application**

1. All housing program applications are processed in the order they are received.
2. The Administrative Assistant receives income information contained on the application form in order to confirm that the owner-applicant meets initial eligibility criteria. The Housing Specialist then reviews the file organized by the Administrative Assistant. Owner-applicants will be notified as to whether they meet eligibility criteria as soon as possible after the verification process is complete.

3. The Housing Specialist prepares a work-write-up and cost estimate for eligible applicants, and a bid packet is assembled. Preparation of the work and cost estimate may include a structural inspection of the property by an outside inspection firm, a visual inspection for existing code deficiencies by the Housing Specialist, a lead hazard evaluation by a licensed risk assessor, other inspections deemed necessary by City staff, an environmental review of the project, including clearance through the Department of Natural Resources, and an appraisal. Once the work write-up is complete, contractor(s) will be asked to attend a formal walk-through for housing rehabilitation projects. Bid packets are e-mailed or mailed to selected contractors. For all programs, bids are received by City Community Development staff on behalf of the owner.

4. Once bids are received and all documentation is complete, applications for the Emergency Repair Program and the Code Deficiency Abatement Program are presented to the Director of Community Development for approval. Applications for the Housing Rehabilitation Program are presented to the Loan and Grant Committee at a scheduled meeting. The Committee reviews the applications, determines whether applicants meet eligibility requirements and approves or denies loan requests. The Housing Specialist notifies the applicants of the Committee's decision, and proceeds with the remainder of the functions in order to complete the rehabilitation work. If the Committee denies an application for assistance, the Housing Specialist shall send a letter to the owner-applicant, citing the reasons for the denial.

#### Grant Cancellation

1. An approved rehabilitation loan may need to be canceled because the applicant has requested cancellation or is unwilling or unable to participate in the rehabilitation program, or for other reasons. To cancel an approved rehabilitation loan, the Housing Specialist shall prepare a letter outlining the reasons for canceling the loan and distribute the letter to the applicant. A copy of this letter will be maintained in the project file.

#### Appeal and Grievance Procedures

1. Applicants who are not in agreement with a decision reached by the City's Loan and Grant Committee or City staff, may appeal said decision by filing a written appeal to the Loan and Grant Committee, c/o of the Community Development Department, within thirty (30) days of receiving notice of the Committee's decision. Appeals will be reviewed that relate to loan approval/denial, loan cancellation, determination of loan amount, determination of scope of work, approval of change orders, and selection of contractor. The Committee shall hold a hearing after due notice to the appellant within thirty (30) days of filing said notice of appeal. The Committee may affirm, reverse or modify the decision and notify the appellant in writing of its decision and the reasons thereof. After the hearing, the Committee's decision shall be the final procedure of the committee.

The applicant may appeal the Committee's final decision to the City Manager. The City Manager, with the advice of the City Attorney, may reverse or uphold the decision of the Committee.

2. Any person denied a loan by the Loan and Grant Committee who does not take exception with the findings, but who believes there are circumstances which, if known and considered, would establish extreme hardship and justify variance from the eligibility standards established herein may file an appeal with the Housing Programs Manager by filing within thirty (30) days of receiving notification of the Committee's decision. The Housing Programs Manager shall, depending upon the nature of the exception, forward such request to the Director of Community Development whose decision shall be final if the appeal involves an administrative request. Where the change involves a substantial change in a program rule, the request will be forwarded by the Department Director to the City Manager, as is appropriate. Should the appeal require Council action, the City Manager shall forward such appeal to the Council for action. The Housing Specialist shall provide assistance to any person filing an appeal.

3. Grievances: The city will not consider any grievance involving rehabilitation work in cases where:

A. Staff will assist program participants with grievances involving rehabilitation work within the 1 year warranty period. Assistance will be in the form of access to information regarding warranty, scope of work, and contractor responsibilities. Contractors that do not honor legitimate warranty claims will be removed from the eligible contractor list.

B. The certificate of acceptance was signed more than one year before the grievance process is initiated; and the aggrieved party has not documented efforts to have the contractor return to resolve the matter within the one-year guarantee period after the certificate of acceptance was signed.

4. Right to Representation: A person has a right to be represented by legal counsel or other representative in connection with his or her appeal, but solely at the person's own expense.

5. Right to Files by Persons making Appeals: The City will permit a person to inspect and copy all materials pertinent to her or his appeal, except materials that are classified as confidential. The City may, however, impose reasonable conditions on the person's right to inspect which are consistent with applicable laws, such as the cost of copying materials.

6. Scope of Review of Appeal: In deciding an appeal from the Committee's decision, the City Manager and/or the City Council shall consider all pertinent justification and other material submitted by the person, and all other available information that is needed to ensure a fair and full determination of the appeal.

7. Determination and Notification after Appeal: Within thirty days after the receipt of all information submitted by a person in support of an appeal, the Loan and Grant Committee shall make a written determination on the appeal, including an explanation of the basis on which the decision

was made, and furnish the person a copy. The City official(s) conducting the appeal determination shall not have been directly involved in the action appealed. If the relief requested is not granted, upon additional request, the City shall advise the person of her or his right to seek Department of Housing and Urban Development review of the City's written determination of the appeal. A person has 45 days after she or he receives the City's written determination of their appeal to file a review appeal with the Department of Housing and Urban Development.

### Loan Review

1. Loan review is available for participants who request a loan review due to a change in household status such as: loss of job, divorce, death of family member, change in disability or elderly status for the head of household, spouse or domestic partner. The homeowner shall submit a letter explaining the change(s) in circumstances and document why they are no longer able to make amortized payments. City staff may also conduct a loan review when it is found that program requirements are no longer being met.

2. Loan payments shall be deferred for households headed by persons aged 68 or older; individuals with disabilities; or when front end or back end ratios, including utilities, exceed 35% or 45% respectively.

3. The Loan and Grant Committee will review requests for loan reviews outside of the guidelines. City staff shall provide household income data for Committee review.

### Annual Portfolio Review:

1. Staff of the Community Development Department will complete an annual review of the City's loan portfolio with regard to the City's housing programs (Community Development Block Grant and HOME Investment Partnership Program) and reconcile any differences between the records of the Finance Department and the Community Development Department. Staff will obtain as much information as possible on active loan accounts in order to determine loans which may no longer be collectible ("defaulted" loans).

2. Staff will record a *Request for Notice of Foreclosure Sale* for each deed of trust executed for the City's housing rehabilitation programs. Staff will also record a *Request for Notice of Foreclosure Sale* on all loans made prior to June 1, 2005 that are in a delinquent status.

3. Staff may contract with a local title company to perform title searches on active loan accounts as staff or the Committee deems necessary.

4. The Loan and Grant Committee shall make recommendations to the City Council on "defaulted" loans on an annual basis during their third quarter meeting if there is sufficient time or in a special meeting called for this purpose.

### Collection Procedures

1. Community Development Department staff will attempt to work with homeowners to bring their accounts current. Initially, staff (Administrative Assistant or Housing Specialist) will make a personal contact (phone call or informal reminder letter) when the account becomes 30 days delinquent. Staff will send a certified, return receipt requested letter if payments become 60 days delinquent.
2. Once loans become 90 days delinquent, if satisfactory arrangements have not been made, the City file will be forwarded to the City's legal department. The City reserves the right to pursue all legal means of collection up to and including foreclosure.

#### Rehab Program Subordination Policy

The City's policy guidelines are as follows for approval/denial of subordination requests submitted by lenders on behalf of owners who have existing loans with the City's Community Development Department. Before processing subordination requests, written authorization shall be obtained from the owner allowing program staff to obtain information from or share information with the lender. This authorization shall be included in the owner's file. The City will not subordinate loans that are in default status.

Housing Programs Division staff shall obtain the following information to submit for City Manager consideration of approving subordination requests:

1. Name of lending institution with existing mortgage
2. Name of lending institution proposing a loan subordination
3. Pay-off amount for existing mortgage
4. Interest rate on current mortgage
5. Date, terms and loan City loan amount
6. Proposed loan amount from lending institution's proposed loan subordination
7. Origination fee amount
8. Estimated settlement charges to participant
9. Type of new loan (refinance, HELOC) and if there is pay-off of any other debt as a part of the proposed refinancing
10. Loan application to lending institution proposing a loan subordination
11. Total housing debt before and after proposed refinancing
12. Appraised value of the property (copy of current appraisal less than 6 months old)

The City Manager shall be authorized to sign off on all subordination agreements that are in accordance with the following Criterion:

Criterion #1: The loan-to-value ratio after a subordination request is executed shall not exceed 100%. The City shall not subordinate in cases where the loan-to-value ratio is over 100% and the refinancing of the property will increase this disparity. Forgivable loan amounts will not be considered when determining the loan-to-value ratio.

Criterion #2: Approval of subordination requests shall occur in situations where the owner is using new loan funds for improvements/repairs to the property. Housing Programs Division staff will initially provide the lender with a Statement of Intention to Subordinate. The actual subordination agreement will be provided after all improvements/repairs have been completed and said improvements/repairs have been verified by the Housing Specialist.

Criterion #3: Approval of subordination requests shall generally occur in situations where no new loan funds are being drawn out and where refinancing is occurring in order for the owner to take advantage of a lower interest rate and/or shorter loan term, or in order to improve the chances of the existing owner to maintain their home ownership status; e.g. extending the length of the loan in order to lower monthly payments, etc.

Criterion #4: Approval of subordination requests shall occur in situations that include the payoff of non-housing debt (i.e. credit card debt, medical debt) so long as total housing debt, including any new loans, remains less than 80% of the property value. Verification of credit card debt payments shall be required as a part of the final closing. The City shall also require that all or a portion of its existing lien be repaid in subordination requests that involve the pay-off of other existing debt as follows:

<u>Existing City Lien Amount</u>	<u>Amount Required to Be Repaid</u>
Less than \$5,000	Full Repayment Required
Over \$5,000	50% Repayment Required

Criterion #5: Subordination requests shall not be approved when new loan funds are being used to generate cash for unspecified purposes.

Criterion #6: Subordination requests involving the pay-off of consumer debt shall not be approved in situations where the financial position of the household is not benefited over the long term (i.e., in cases where total monthly housing and revolving debt payments are increased, where the proposed interest rate of the new loan is higher by 2 points or more, or where the mortgage interest rate is substantially higher (more than 2%) than that being charged by local banks, or a HELOC includes monthly payments and interest rates higher than the participant's current rates and where the closing costs are substantially higher than normal refinancing costs). Subordination requests involving HELOCs with interest rates exceeding the Prime Index Rate plus 3% shall be ineligible.

#### Non-Profit Subordination Policy

The City's policy guidelines are as follows for approval/denial of subordination requests submitted by lenders on behalf of non-profit facility owners with existing loans with the City's Housing Programs Division. Before processing subordination requests, written authorization shall be obtained from the non-profit allowing program staff to obtain information from or share information with the lender. This authorization shall be included in the non-profit's file. The City will not



subordinate loans that are in default status. Subordination requests involving City loan balances over \$50,000 must receive formal approval by the Columbia City Council.

Housing Programs Division staff shall obtain the following information to submit for City Manager consideration of approving subordination requests:

1. Name of lending institution with existing mortgage
2. Name of lending institution proposing a loan subordination
3. Pay-off amount for existing mortgage
4. Interest rate on current mortgage
5. Date, terms and loan City loan amount
6. Proposed loan amount from lending institution's proposed loan subordination
7. Origination fee amount
8. Estimated settlement charges to participant
9. Type of new loan (refinance, HELOC) and if there is pay-off of any other debt as a part of the proposed refinancing
10. Loan application to lending institution proposing a loan subordination
11. Total facility debt before and after proposed refinancing
12. Appraised value of the property (copy of current appraisal less than 6 months old)

The City Manager shall be authorized to sign off on all non-profit subordination agreements less than \$50,00 and that are in accordance with the following Criterion:

Criterion #1: Approval of subordination requests shall generally occur in situations where a non-profit has substantial equity in their facility and where facility debt, including any new loans, is less than 80% loan to value ratio.

Criterion #2: Approval of subordination requests shall occur in situations where no new loan funds are being drawn out and where refinancing is occurring in order for the owner to take advantage of a lower interest rate and/or shorter loan term, or in order to improve the chances of the existing non-profit to maintain ownership status; e.g. extending the length of the loan in order to lower monthly payments, etc.

Criterion #3: Approval of subordination requests shall occur in situations where the non-profit is using new loan funds for improvements/repairs to the property and where facility debt, including any new loans, is less than 80% loan to value ratio. Housing Division staff will initially provide the lender with a Statement of Intention to Subordinate. The actual subordination agreement will be provided after all improvements/repairs have been completed and said improvements/repairs have been verified by Housing Division staff.

Criterion #4: Approval of subordination requests shall occur in situations that provide cash out for the purpose of a specified non-profit operating cost or non-facility debt repayment so long as the total facility debt, including any new loans, remains less than 80% of the property value. The

City shall also require that all or a portion of its existing lien be repaid in subordination requests that involve the pay-off of other existing debt or cash out for operating costs as follows:

<u>Existing City Lien Amount</u>	<u>Amount Required to Be Repaid</u>
Less than \$20,000	Full Repayment Required
Over \$20,000	50% Repayment Required

Criterion #5: Subordination requests shall generally not be approved in situations where the financial position of the non-profit is not benefited over the long term (i.e., in cases where monthly mortgage payments will increase over 10%, where the proposed interest rate is substantially higher than the existing rate (2 points or more), than that being charged by local banks, and where the closing costs are substantially higher than industry standards as it relates to refinancing costs).

Criterion #6: Subordination requests shall not be approved where new loan funds are proposed to be used for expenses or activities not allowed under Title 24 Part 570 and as authorized under title I of the Housing and Community Development Act of 1974, as amended.

Transfer of Debt (Owner Occupied Housing Rehabilitation Program)

1. Requests from agencies and homeowners for the transferal of debt from one property to another will be made to the staff of the Community Development Department. The process involved in such a request is set out in Policy Resolution 156-95A (PR 156-95A) adopted by the City Council on August 21, 1995 (See copy which is attached as Attachment D.
2. Requests from individuals for the transfer of debt from one owner to another will be made to the staff of the Community Development Department and will be reviewed on a case by case basis. Transfer of debt will be allowed in certain situations where the homeowner(s) to whom the original loan was made is/are deceased. Transfer of ownership may be made to an heir of the owner or may be sold by heirs to an unrelated individual under the following conditions: (1) The new owner must be deemed to be low to moderate income; i.e. meet HUD's income limits at the time of property transfer. (2) The new owners must reside in the home and plan to remain in the home for a minimum of two years. (3) New owner must sign a deed of trust and promissory note for the full amount of the debt prior to the City approving the transfer. Said deed of trust will not be recorded until the transfer is complete and until the previous deed of trust has been released. The Loan and Grant Committee will determine how the mortgage will be structured based upon the financial situation of the new owner (i.e., amortized with regular monthly payments or deferred for a specified period of time).

## **Section 8: Financial Management**

This section sets out the duties and responsibilities of the Community Development Department regarding the financial management of the city's housing programs.

1. The Housing Specialist and Housing Programs Manager shall approve and present requests for progress and final payments to the Director of Community Development for review prior to payment from the CDBG/HOME account. When additional owner funds are required, the Owner's funds must be paid out before any City funds are utilized. Once the owner pays the amount determined to be his/her portion of the project cost, and this is documented by the City, the remaining balance owed to contractor will be paid by the City. The City's Housing Specialist shall inspect each project under contract not less than once per week until each project is completed.
2. Upon request, a written progress report concerning the Community Development Department's housing programs and/or a financial statement shall be provided to the City's Loan and Grant Committee, the City Manager, or the City Council.
3. The Housing Specialist shall be responsible for keeping a running balance of rehabilitation funds authorized, obligated, and expended in the rehabilitation programs. Balances kept by the Housing Specialist shall be reconciled with the City's Financial Management Office not less than quarterly.
4. The Housing Specialist shall maintain project files, including legal paperwork and financial information on check requests and disbursements.
5. Partial payment shall be made when a progress payment request form has been submitted by the contractor. Said form must be signed by the city's inspector and the owner.
6. Not more than 92.5% of final contract shall be paid out to a contractor unless the following information has been filed with the City: a certificate of completion signed by the Housing Specialist; a certificate of acceptance signed by the property owner, notarized lien waivers have been provided by the general contractor, subcontractor, and all material suppliers, lead-based paint clearance standards have been met (if applicable), and all warranties have been provided by the contractor. If a homeowner refuses to sign a certificate of acceptance, the Housing Specialist should apply the following procedure:
  - a. Request a written list of the items not completed to the owner's satisfaction. Upon receipt of a deficiency list from an owner, the Housing Specialist shall re-inspect the property in accordance with the list as well as the terms of the contract.
  - b. If the Housing Specialist does not receive a deficiency list within 10 days, the Housing Programs Division will consider the matter closed after a determination that the contractor has fulfilled the terms of the contract. Whether or not the Housing Specialist receives a list from the

owner, the Housing Specialist must review the contractor's work to determine if the contractor has fulfilled all of the terms of the contract.

c. When the contractor has addressed all reasonable requests of the owner and the house meets the City's minimum property maintenance standards and HQS, and the terms of the contract have been fulfilled, the Housing Specialist should again present the certificate of acceptance to the owner(s) for their signature.

d. If the owner still refuses to sign, the Housing Specialist shall request a final list of deficiencies from the owner to present to the Housing Programs Manager.

e. When the Housing Programs Manager determines that the work is complete, terms of the contract fulfilled, reasonable requests by the owner addressed, and the house meets the city's property maintenance standards and Housing Rehabilitation Standard, the certificate of completion may be signed by the Housing Programs Manager. Any further complaints by the owner should be placed in the file.

## **Appendix**

### **Rehabilitation Loan Terms and Conditions**

The specific terms and conditions with respect to a rehabilitation loan and/or grant are incorporated in these rules and regulations. The applicant, by signing the application forms agrees to:

**Civil Rights.** Comply with all HUD requirements with respect to Title VI of the Civil Rights Act of 1964, to not discriminate upon the basis of race, color, creed, or national origin in sale, lease, rental, use or occupancy of the subject property.

**Cancellation of Assistance.** Return all loan proceeds with no right, interest or claim in the proceeds, if the loan is canceled before the rehabilitation work is started.

**Use of Proceeds.** Use loan proceeds only to pay for costs of services and materials necessary to carry out the rehabilitation work for which the loan was approved.

**Completion of Work.** Assure that the rehabilitation work shall be carried out promptly and efficiently, through written contract after prior approval by the City's Director of Planning and Development or the City's Loan and Grant Committee.

**Ineligible Contractors.** Not award any contract for rehabilitation work to be paid for in whole or in part with the proceeds of the loan and grant, to any contractor who, at the time, is ineligible under the provisions of any applicable regulations issued by the Secretary of Labor, United States Department of Labor, to receive an award of such contract.

Inspection. Consent to inspection of the property by the City or its designee. Inspection shall include the rehabilitation work and all contracts, materials, equipment, payrolls, and conditions of employment pertaining to the work.

Records. Keep such records as may be required by the City with respect to the rehabilitation work.

Bonus, Commission, or Fee. Not pay any bonus, commission, or fee for the purpose of obtaining the city's approval of the loan application or any other approval or concurrence required by the City or its designee, to complete the rehabilitation work, financed in whole or in part with the rehabilitation loan.

Interest of the Public Body. Allow no member of the governing body of the City of Columbia, who exercises any functions or responsibilities in connection with the administration of the federally assisted project or program, and no other officer or employee of the Public Body who exercises such functions or responsibilities, to have any interest, direct or indirect, in the proceeds of the grant, or in any contract entered into by that application, for the performance of work financed in whole or in part with the proceeds of a rehabilitation loan.

Interest of other local Public Officials. Allow no member of the governing body of the locality in which the property to be rehabilitated is situated, and no other public official of the locality who exercises any functions or responsibilities in connection with the administration of the federally assisted project or program, and no other officer or employee of the Public Body who exercises such functions or responsibilities, to have any interest, direct or indirect, in the proceeds of this grant, or in any contract entered into by the applicant for the performance of work financed in whole or in part with the proceeds of the rehabilitation grant.

Trash and Junk. The loan recipient shall be required, where the Housing Specialist deems it necessary, to clean up the premises of all trash, junk, abandoned autos, cut all tall weeds, grass, and vegetation, before any work is done on the recipient's home.

Lead-Based Paint Hazard Reduction: The loan recipient shall consent to the removal or reduction of lead based paint hazards as are determined by the lead-based paint risk assessor with whom the City contracts for services. The loan recipient shall consent to the procedures necessary to contain dust during the removal or reduction of lead-based paint hazards, including limiting occupancy of the house to areas outside of critical containment barriers set up by the rehabilitation or lead abatement contractor. If relocation is necessary as a part of lead reduction activities, grant funds will be used to relocate the owner of the property and his family for a period not to exceed 21 days. If relocation beyond the 21-day maximum is required, cost of additional relocation shall be covered by the owner-applicant, the general contractor, or the lead abatement contractor, depending on the specific circumstances surrounding the need for additional relocation assistance.

Minimum Standard: The loan recipient for the housing rehabilitation program must agree that the property to be improved will meet the City of Columbia's Property Maintenance Standards and Housing Rehabilitation Standards at the completion of the rehabilitation. Where possible, the Minor Home Repair Program will bring elements of the home into compliance with the City of Columbia's Property Maintenance Standards.

Competitive Bid Proposals: Competitive bid proposals will not be required for projects where it is apparent to program staff that the cost of the proposed work will be less than \$1000. The Housing Specialist will prepare a cost estimate to ensure that project cost is less than \$1000. In these situations, Owner may select one contractor to submit a bid proposal and complete the work. On any project which exceeds \$1000, competitive bid process will be required.

Rebates: The funds loaned to owner by the City of Columbia may qualify the property for energy efficiency rebates from the City of Columbia Water and Light Department or Boone County Electric Cooperative. In the event any rebates are earned and paid from the City of Columbia Water and Light Department or Boone County Electric Cooperative as a direct result of the use of these funds, owner shall immediately endorse transfer and assign the rebate proceeds over to the City of Columbia Community Development Department to be applied first to the cost of the energy audit and balance, if any, applied to the principal of the City loan.