Affordable Housing Policy

City of San Antonio
Department of Planning and Community Development

Community Development Block Grant
Home Investment Partnerships Program
Neighborhood Stabilization Program

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Background Information

The City of San Antonio (the City) receives support from the U.S. Department of Housing and Urban Development to assist low and moderate income families in obtaining affordable housing. The City receives several Entitlement (HUD) grants, which it can use to support its housing initiatives. HUD outlines certain regulations that apply when using grant funds. This policy document uses the HUD regulations as a basis and incorporates the City's own policies as adopted by City Council and the Quality of Life City Council Sub-Committee.

Community Development Block Grant (CDBG)
The Community Development Block Grant has been in existence since 1974. The primary objective of the CDBG program is to improve communities by providing decent housing, providing a suitable living environment, and expanding economic opportunities. The primary beneficiary of CDBG funds must benefit low to moderate-income persons, aid in the prevention or elimination of slums or blight, or meet an urgent need.

HOME Investment Partnership Program (HOME)
The HOME Investment Partnership Program has been in existence since 1990. The goals of the HOME program are to provide decent affordable housing to lower-income households, expand the capacity of nonprofit housing providers, strengthen the ability of state and local governments to provide housing, and leverage private sector participation. HOME funds may be utilized for rental activities, homebuyer activities, and homeowner rehabilitation activities. All HOME funds must benefit persons of low and moderate income.

Neighborhood Stabilization Program (NSP)
The Neighborhood Stabilization Program was authorized under Division B, Title III of the Housing and Economic Recovery Act of 2008 (HERA) to help communities recover from the effects of foreclosures, abandoned properties, and declining property values. The City received an NSP allocation of $8,635,899 to be utilized in six NSP target areas.

City of San Antonio Plans and Strategies

ICR/IP

In the 2010-2015 Consolidated Plan, the City of San Antonio adopted a Reinvestment Area Strategy pooling resources to strategically invest mostly in the City's urban core. The consolidated plan as a goal of at least 60% of all CDBG and HOME funded activities are within the ICR/IP. The ICR/IP boundaries were amended via City Council action on January 16, 2013.

Consolidated Plan Strategies

In the development of the 5 Year Consolidated Plan, the following priorities were identified.

Owner-Occupied Rehabilitation & Reconstruction

HUD funds may be used to assist low to moderate income homeowners that are in need of rehabilitating or reconstructing single family homes.

Eligibility

1. Applicant's annual gross income must be at or below the 80% of the Area Median Income
2. The property must reside within the city limits of San Antonio and Applicant must have occupied the dwelling for at least six months from date of application.
3. Applicant must certify that the home is not for sale and is their primary residence/homestead, as indicated per Bexar County Tax Records and utility records.
4. The property must be a single family detached single unit home. Duplexes, triplexes, quad-plexes, and units over 5 are not eligible for rehabilitation assistance under this program.
5. Home must not have participated in other prior HUD funded rehabilitation programs, excluding the City's lead based paint program.
6. Property taxes must be current. Property taxes must not be delinquent for any tax year unless the homeowner has entered into a written agreement with the taxing authority outlining a payment plan for delinquent taxes and is abiding to the written agreement. (Except Minor Repair)
7. Standard property insurance must be maintained on the property (with coverage adequate to insure the City's lien position). If a property is located in a flood plain, flood insurance must also be maintained with coverage adequate to insure the City's lien position. (Except Minor Repair)
8. Title searches are obtained to evidence ownership of the property (Except Minor Repair)
9. Applicant must be current with the mortgage company meaning not more than 30 days past due. (Except Minor Repair)
10. Applicant must be a U.S. Citizen or Resident
11. No Chapter 7 or Chapter 13 bankruptcy if primary or any mortgage is included as a secured creditor on the subject property for which the City or subrecipient will place a lien securing the loan.

Maximum Assistance Limits

For rehabilitation activities, the maximum amount of assistance provided shall not exceed 50% of the HUD HOME Value Limits for existing properties.

For reconstruction activities, the maximum amount of assistance provided shall not exceed 47.5% of the HUD HOME Value Limits for new construction. An exception to the reconstruction limits is if residential occupancy exceeds 5 people, then the maximum amount of assistance shall not exceed 60% of the HUD HOME Value Limits for new construction.

The Director of Planning and Community Development may on a case by case basis administratively approve (without Housing Committee approval) additional assistance not to exceed 10% above the maximum limit for any Owner-Occupied Rehabilitation or Reconstruction project under the following circumstances:

- To address outstanding repairs or necessary work to close out an existing project.
- The need to provide reasonable accommodations in accordance with the Americans with Disabilities Act or other local, state or federal law;
- Unanticipated costs deemed necessary to meet applicable City Codes;
- Unforeseen environmental issues; and
- Addressing issues that threaten life, health, safety and welfare of the public.

It should be noted that the Affordable Housing Policy establishes maximum per unit thresholds below the HUD required maximum per-unit dollar limitations established under HUD Section 234 Condominium Housing Limit. Thus no individual project under this program can exceed these HOME maximum subsidy limits.

Terms of Assistance

The terms of assistance for the Owner Occupied Rehabilitation and Reconstruction Programs will be in the form of a deferred forgivable loan or grant based on the following schedule.

Amount of Assistance	Term	Form of Assistance
Less than $5,001	5 Years	Grant
$5,001 to $50,000	10 years	Deferred Forgivable Loan
Over $50,001	15 years	Deferred Forgivable Loan
Reconstruction Only	20 years	Deferred Forgivable Loan

The City shall provide an annual forgiveness of an amount equal to 1 year of the loan throughout the loan term provided that the home stays the primary residence of the Applicant and property taxes remain current. If a home is vacated or leased during the term of the loan, then the full remaining balance of the loan is immediately due and payable in full. If the property is transferred through sale during the term of the loan, the balance is immediately due and payable in full.

Eligible Rehabilitation and Reconstruction Scope

Eligible rehabilitation and reconstruction activities will include all items necessary to bring the structure into compliance with the City's written rehabilitation standards and applicable local residential codes; including items recommended as necessary to preserve the property's structural integrity, historic integrity, weatherization, and quality of living conditions. The scope of work must address all major systems that have a remaining useful life for a minimum of 5 years at project completion, or the system must be rehabilitated or replaced as part of the scope of work. Major systems are identified as structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning.

Improvements to or demolition of an accessory structure such as detached garage, work shed or small residential structure will be made on a case by case basis depending on the available budget, grant requirements, current building codes, health and safety concerns, and minimum occupancy requirements of residents of the property.

Assistance to remove of any items from the property that are considered to be dangerous/hazardous/or a violation of local code are eligible in conjunction with the rehabilitation of the property.
Assistance may not be used for the purchase or repairs of appliances (except for energy efficient window units) or renovations not necessary to bring the home up to local code or property standards. Unnecessary renovations include but are not limited to luxury items (granite counter tops, swimming pools, spas, high end fixtures); tree trimming; fences; and landscaping.

Mortgage and Refinancing

Assistance may be provided to an Applicant who has an existing mortgage or equity loan if the total debt, including mortgage/equity loan balance and all rehabilitation costs do not exceed 100% of the after rehabilitation value of the property. The City deferred loan may be subordinate to the existing mortgage or equity loan.

Refinancing of an existing mortgage, equity loan, or liens from lot clearance/demolition is an eligible refinancing expense up to $10,000. The total debt, including refinanced amount and rehabilitation costs, cannot exceed 100% of the after rehabilitation value of the property. Refinancing of revolving loan accounts, vehicles, credit card debt, or property taxes are NOT allowable refinancing expenses.

Heirs

A deferred forgivable loan may be transferred to the heir(s) of the borrower if the heir(s) are income qualified and utilize the assisted property as their primary residence whether the loan is still within the period of affordability or not. If the heir(s) do not meet the income requirements of the program, the remaining balance of the loan is due immediately and payable in full if the loan is still within the period of affordability. If the property is not within the period of affordability and the heir(s) are not income qualified or do not utilize the property as their primary residence, the City or Sub-recipient may make payment arrangements with the heir(s) at an interest rate between zero (0) and three percent (3%).

Minor Repairs

Rehabilitation less than $5,001 is considered a minor repair and Federal funds may be used to perform minor home repairs essential for ensuring basic needs, elimination health and safety hazards, code deficiencies, and ADA modifications. Assistance in the form of a one-time grant not to exceed $5,001 shall exclude environmental and administrative soft costs necessary to engage the client and property.

Lead-Based Paint Requirements

For HUD funded rehabilitation activities, lead hazard evaluation and reduction activities must be carried out for all projects constructed before 1978.

Less than or equal to $5,000 spent on the rehabilitation:

Projects where the level of rehabilitation assistance is less than or equal to $5,000 per unit must meet the following requirements. All work must be conducted using lead safe work practices and workers/contractors must be trained in lead safe work practices. It is presumed that painted surfaces being worked on contain lead-based paint. All disturbed paint must be repaired. Clearance is required by a State of Texas Certified Risk Assessor or Inspector if paint is disturbed. Safe work practices are NOT required when lead hazard reduction activities do not disturb (De Minimis Levels) painted surfaces that total more than 20 sq ft on exterior surfaces, 2 sq ft in any one interior room, or space or 10% of the total surface on an interior or exterior type of component.

In addition, the following notices must be provided to owners:

- Lead Hazard Information pamphlet
- Notice of Presumption and
- The Notice of Lead Hazard Reduction

Where $5,001 to $25,000 spent on the rehabilitation:
A risk assessment is required to identify lead hazards and identified hazards must be addressed by interim controls. A risk assessment must be conducted by a qualified professional prior to rehabilitation to find lead-based paint hazards in assisted units, in common areas that service those units, and on exterior surfaces. The risk assessment must include paint testing of any surfaces to be disturbed by the rehabilitation. If the risk assessment identifies lead-based paint hazards, interim controls must be implemented to address lead-based paint hazards. Interim controls must be performed by qualified professionals using safe work practices. Clearance, conducted by a State of Texas Certified Risk Assessor or Inspector, is required when lead hazard reduction activities are complete.

In addition, the following notices must be provided to owners:

- Lead Hazard Information pamphlet
- Notice of Presumption and
- The Notice of Lead Hazard Reduction

Where more than $25,000 will be spent on the rehabilitation:
A risk assessment is required to identify hazards and any identified hazards must be abated by a qualified professional. A risk assessment must be conducted prior to rehabilitation to find lead-based paint hazards in assisted units, in common areas that service those units, and on exterior surfaces. The risk assessment must include paint testing of any surfaces to be disturbed by the rehabilitation.

To address hazards identified:

- Abatement must be conducted to reduce all identified lead-based paint hazards except those described below. Abatement must be conducted by a certified abatement contractor.

- If lead-based paint hazards are detected during the risk assessment on the exterior surfaces that are not to be disturbed by rehabilitation, interim controls may be completed instead of abatement to reduce these hazards.
- Clearance is required when lead hazard reduction activities are complete.

In addition, the following notices must be provided to owners:

- Lead Hazard Information pamphlet
- Notice of Presumption and
- The Notice of Lead Hazard Reduction

	<$5,000	$5,000 to $25,000	>$25,000
Approach to Lead Hazard Evaluation and Reduction	Do no harm	Identify and control lead hazards	Identify and abate lead hazards
Notification	Yes	Yes	Yes
Lead Hazard Evaluation	Paint Testing	Paint Testing and Risk Assessment	Paint Testing and Risk Assessment
Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation	Interim Controls	Abatement (Interim controls may be used on exterior surfaces not disturbed by rehabilitation

Other Federal Requirements

Other federal requirements can be found in Appendix 6.

Homebuyer Programs

CDBG and HOME funds may be used to assist families in purchasing homes. Funds can be used to assist families who are purchasing homes for the first time.

Applicant Eligibility

Applicants to homebuyer programs must meet the following criteria:

- Applicant's projected annual income must not exceed 80% of the Area Median Income, adjusted for household size, at the time of application to the program.
- Applicant must have acceptable credit.
- Applicant household must be U.S Citizens or legal residents
- Property to be purchased must be primary residence of Applicant
- Property must be located in the city limits of San Antonio
- Applicant must attend a certified HUD approved homebuyer counseling class
- Applicant must make a minimum initial cash investment of $500 toward purchase of home
- Home must have been constructed legally and meet City Code requirements
- Applicant must not have owned a home during the three year period immediately prior to application

Following are exceptions to the "three year" rule: displaced homemakers (an adult, 21 years of age or older who has not worked full time in the labor force for a number of years, but has during those years worked primarily as a homemaker, who is unemployed and experiencing difficulty in obtaining employment) or single parents (an individual who is unmarried or legally separated from a spouse and who has custody of one or more minor children, or someone who is pregnant at the time of application).

Eligible Properties

The property can be privately or publicly owned prior to sale to the Applicant. The property must be within the San Antonio city limits and meet City building codes, lead based paint requirements, and environmental standards at the time of initial occupancy.

The property must contain adequate living and sleeping space for the applicant household as verified by the property appraisal, site visit, and/or Bexar Appraisal District Data. The property can be an existing property or it may be newly constructed. The property can be:

- Single-family property (one unit)
- Two to four unit property (Assistance provided for the unit to be occupied as the purchaser's principal residence)
- Condominium or cooperative unit

All Homebuyer Programs require an appraisal and can be provided by the first mortgage lender. The appraisal value of an assisted property to be acquired for this activity cannot exceed the

HOME Value Limit for San Antonio. This limit is updated annually. The sale price of an assisted property may not exceed the "Affordable Home Price" established by the City Council.

Credit Standards

Following are the credit standards for homebuyer programs:

- No Chapter 7 or Chapter 13 bankruptcy if primary or any mortgage is included as a secured creditor on the subject property for which the City or subrecipient will place a lien securing the loan.
- Qualifying debt to income ratios are 30% on the front end and 41% on the back end. With compensating factors, the City will allow 33% on the front end and 42% on the back end.
- Maximum loan is up to and is subject to the 1st lien holder's approval of Complete Loan to Value (CLTV).

Predatory lending describes lending practices that take advantage of clients by charging usurious interest rates or excessive fees and penalties. Loans will not be made with an interest rate more than 2% about the prevailing market rate.

Counseling Requirements

All First Time Homebuyer programs funded with City HOME or CDBG funds must have a pre-purchase counseling component. Applicants must complete the course prior to the loan closing date. The course must be a recognized homebuyer education curriculum taught by an individual that has been certified to conduct HUD approved homebuyer counseling.

Affordability Periods

The residence must remain affordable for a certain period of time, which is dependent on the amount of CDBG or HOME funds invested. The City's recapture provisions will apply.

Amount of Funds	Required Affordability
Less than $15,000	5 Years
$15,000 to $40,000	10 Years
Over $40,000	15 Years

HOME Program Recapture/Resale Requirements

These requirements can be found in Appendix 6.

Eligible Expenses

Homebuyer Programs may include any of the following activities: land acquisition, mortgage subsidy, principle reduction, down payment and closing cost assistance. If the house is sold before the required affordability period has elapsed, the assistance funds must be recaptured.

HOME Match Requirement

All housing development projects must meet a 25% HOME matching requirement of contributions made from non-federal resources and may be in the form of one or more of the following:

- Cash contributions from nonfederal sources.
- Forbearance of fees
- Donated real property
- Cost, not paid with federal resources, of on-site and off-site infrastructure that the participating jurisdiction documents are directly required for HOME-assisted projects
- Proceeds from multifamily affordable housing project bond financing
- Reasonable value of donated site-preparation and construction materials, not acquired with federal resources
- Reasonable rental value of the donated use of site preparation or construction equipment
- Value of donated or voluntary labor or professional services in connection with the provision of affordable housing

Other Federal Requirements

Other federal requirements can be found in Appendix 6.

Additional Requirements for the Homebuyer Incentive Program

Repayment Terms and Requirements

Assistance will be provided up 8% of the HUD HOME Value Limit for existing properties to individuals willing to purchase homes within one of the targeted areas, with the requirement of only having to repay 25% of the actual loan amount at 0% interest and the balance is due at the time of resale.

Targeted Homebuyer Incentive Program Only

This program would offer further incentives for schoolteachers, police officers, emergency medical technicians, and firefighters of requiring the repayment only upon re-sale or refinance, contingent of the requirement of meeting a 10 year owner occupancy requirement.

Additional Requirements for New Construction Development

For new construction housing developments funded by the City, the maximum subsidy per unit is 22.5% of the HUD HOME Value Limit.

Funding will be provided to Community Housing Development Organizations, governmental entities, or public facility corporations at 0% simple interest, which will be forgiven upon sale of the property to home buyer.

In addition, funding will be provided to other qualified non-profit organizations at 1% simple interest, which will be forgiven upon sale of the property to home buyer.

Rental Housing Production

Rental Housing Development and Substantial Rehabilitation Gap Financing Program

HOME, CDBG and in certain instances NSP funds may be used to build or rehabilitate affordable and multi-family rental housing. Transitional and permanent rental housing are eligible for HOME funding.

The following guidelines apply for Rental Housing Development and Substantial Rehabilitation (RHD/SR) Gap Financing activities. This activity may be implemented by the City of San Antonio or by external non-profit or for profit partners. When utilizing external partners, the City of San Antonio shall award, when funds are available, RHD/SR funds through a competitive Request for Applications (RFA) process in accordance with the program's scoring policy.

Eligibility

To be eligible for HOME, NSP and/or CDBG funded Rental Housing Development and Substantial Rehabilitation Program assistance the proposed rental property must meet all of the following basic criteria:

- May be single-family (1-4 units) or multi-family (5 or more units) rental dwelling located within the municipal boundaries of the City of San Antonio. Additionally, NSP funds are further restricted to certain NSP Program target areas. (Note: ETJ areas are not eligible for HOME, CDBG and NSP financial assistance.)
- Substantial rehabilitation projects must, at a minimum, meet the substantial rehabilitation test –

  In addition to fully meeting the City's minimum code requirements, a Project must met one or more of the following Substantial Rehabilitation threshold tests: 1) Replacement of two or more major building components (roof; wall or floor structures; foundations; plumbing, central HVAC or electrical system); or 2) costs are 15% or more, exclusive of any acquisition and/or acquisition and development soft costs, of the property's replacement cost (fair market value) after completion of all required repairs, replacements and improvements; or 3) rehabilitation hard costs are $10,000 or more per dwelling unit.
- The after-rehabilitation rents required to effectively support the property, including the additional rehabilitation project debt service, must be:
  - Reasonable, in accordance with the HOME, NSP and/or CDBG standards pertaining to reasonableness; and
  - Affordable to lower income tenants, in accordance with the HOME, NSP and/or CDBG standards pertaining to affordability.
- Owners must exhibit a cash equity participation of at least 10% in the rental property proposed for rehabilitation. Note: Housing tax credits proceeds are to be treated as equity.

Loan Terms

Single-Family Dwellings (1-4 units)

Owners of single-family dwellings are eligible for a loan of up to 50% of total development costs. The City loan is fully repayable and the interest rate varies by the type of Borrower. The interest rate for a certified CHDO or a Public Facility Corporation[1] Borrower or Sponsor shall be zero percent (0%) simple annual interest. The interest rate for a qualified nonprofit Borrower or Sponsors shall be one percent (1%) simple annual interest. The interest rate for all other Borrowers shall be three percent (3%). The maximum maturity for a single-family rental rehabilitation loan shall be 240 months from the completion of construction. Repayment of single-family rental housing loan principal and interest should be in equal monthly installments. Subject to City review and approval, single-family projects may have up to 14 months (in addition to the above stated maturity of 240 months) of deferred principal and interest during a construction and lease-up.

Multi-Family Dwellings (5 or more units)

Assistance for owners of multi-family rental property can be provided in the form of a repayable loan with scheduled payments or, if the project involves housing tax credits, a surplus cash loan. The City loan is fully repayable and the interest rate varies by the type of Borrower. The Interest rate for a qualified CHDO or a Public Facility Corporation[1] Borrower or Sponsor shall be zero percent (0%) simple annual interest. The interest rate for a qualified nonprofit Borrower or Sponsors shall be one percent (1%) simple annual interest. The base interest rate for all other Borrowers shall be five percent (5%). However, the 5% base rate can be reduced through a combination of one or more Borrower concessions:

a) A Borrower guarantee to make annual interest payment will reduce base interest rate by 1%;
b) Borrower agreement to limit loan maturity to 20 years or less reduces base interest rate by 1%; or
c) Borrower guarantee of annual interest and principal payments reduces base interest rate by 2%.

The Borrower can combine a) and b) above to reduce the 5% annual simple interest base interest rate by 2% to the 3% annual simple interest floor rate. However, in no instance can the floor interest rate be less than 3% annual simple interest for a Borrower in this category.

Repayment of multi-family rental housing loan principal and interest should be either:

- Equal monthly installments over a period of up to 300 months, if the project does not involve housing tax credits. Subject to City review and approval, multi-family projects may

[1] To be a Qualified CHDO or Public Facilities Corporation the following Borrower elements must exist: 1) CHDO or PFC is the general partner or managing member; 2) CHDO or PFC has a Right of First Refusal (ROFR) to purchase the property; 3) CHDO or PFC receives a minimum of 25% of the non-deferred portion of the developer fee; and 4) CHDO or PFC receives a minimum of 25% of annual deferred fee distribution during the first nine years of operations and a minimum of 50% of the deferred fee distribution commencing in Year 10 through payoff of the CHDO or PFC deferred fee note.

have up to 24 months (in addition to the above stated maturity of 300 months) of deferred principal and interest during a construction and lease-up.

- An annual surplus cash payment, when the project involves housing tax credits. The City's surplus cash loans funding will be structured with note provisions requiring that at least 50% of Eligible Cash in excess of $50,000 be paid annually to subordinate lenders (including funding partners and related parties) on a prorated basis. Eligible Cash shall be defined as: Surplus cash available for partnership distribution, less any outstanding:

    - Credit adjusters
    - Asset management fees
    - Operating reserve account replenishment
    - Limited partner loans that have been approved by the City
    - Deferred developer fees
    - Supplemental replacement reserve deposits approved by the City

  Note: Incentive management fees have been deliberately omitted from the above list. Payment of incentive management fees shall be subordinate to repayment of the City's loan(s).

Projects shall submit, on an annual basis, either HUD Form 93489 (HUD Computation of Surplus Cash), or the City's form, with the project audit. The City will invoice the project, allowing for repayment to occur up to the end of the current calendar year when HUD financing is involved. Otherwise, the surplus cash payment will be due within 45 days of the invoice postmark. Late payments will be assessed a 5% late charge. The loan will be in default if payments are more than 75 days late. The default interest rate shall be 500 basis points (5%) over the note interest rate

The City multi-family rental loan is limited to only the amount necessary to fully fund the required rehabilitation work, not to exceed nine percent (9%) of the annual HUD Section 234 – Condominium Housing Limits in San Antonio, Texas for elevator units (by number of bedrooms per unit). In 2015, the annual limits were as follows:

Efficiency - $10,147
1 Bedroom - $11,632
2 Bedroom - $14,145
3 Bedroom - $18,299
4 Bedroom - $20,087

Note: The above table is only valid for 2015 and is otherwise provided for illustrative purposes. Contact the City's DPCD GMA Contracts Unit for a schedule of current HUD 234 Limits.

Affordability Period Requirements for All Rental Housing Development and Substantial Rehabilitation Loans

The Period of Affordability (income and rent restrictions) applies to both single-family and multi-family rental housing projects. Affordability periods shall be set as follows, in keeping with HUD requirements.

Amount of CDBG or HOME funds Per Unit	Minimum Period of Affordability
Under $15,000/ Unit	Five (5) years
$15,000 - $40,000/ Unit	Ten (10) years
Over $40,000 or rehabilitation involving refinancing	Fifteen (15) years
New construction of Rental Housing	Twenty (20) years

Conditions of All City Loans Include:

- The property must residential rental property under the existing ownership for the entire loan term. If the property is transferred by any means during the loan term, the remaining unforgiving portion, plus interest based on the existing market, will become immediately due and payable;
- The Borrower must maintain the property according to the San Antonio Unified Building Code and agrees to allow City personnel to annually inspect the property;
- The Borrower provides evidence of having paid annual property taxes and having secured fire and extended insurance coverage for the property;
- Borrower must annually provide the City of San Antonio with the information on rents and occupancy of HOME-assisted units to demonstrate compliance with the affordability rent requirements;
- The Borrower must maintain reserves for maintenance; and
- No further assistance during the affordability period term of the loan, whichever is longer.

The City loan will be secured by a lien on the property. The lien position will be no less than a second, except upon approval of the appropriate City Department Director, subordinate only to a private financial institution's superior lien for a loan in a greater amount. The City may also require additional security for its loan, including, but not limited to, a first lien position on other investment property of the owner, as well as personal and/or corporate guarantees, if it is necessary to secure the loan.

The terms of payment will continue throughout the entire term of the note, provided the Borrower complies with each and every term and condition of the loan documents. If the Borrower does not comply, or if the borrower at any time defaults under the terms of the note, interest on the unpaid principal will thereafter:

(a) accrue at a rate that is 500 basis points over the Note interest rate, and
(b) be immediately payable in addition to the entire outstanding principal amount

Underwriting Standards

Developer/Borrower/Owner Requirements and Standards

- In the assessment of the City, in its sole discretion, the Developer is able to demonstrate that the Developer has the managerial, technical and financial capacity to undertake the Project.
- Borrowers must be an Eligible Mortgagor as defined by Federal regulations and the City's Affordable Housing Policy
- Single asset entities are required for non-recourse loans. Loans to multiple asset entities will have recourse.
- Guarantor (amortizing loans) or financially responsible party (deferred loans) must have acceptable performance on other the City loans and must not be undercapitalized for the scale of the proposed project.
- For debt with scheduled payments, at least one individual or corporation with adequate financial capacity must guarantee:
  - Construction completion
  - Operating cost shortfalls for the term of the loan
  - Debt service payments until the development has achieved the minimum debt ratio stated within these underwriting standards (assuming stabilized expenses) for 3 successive months. In the case of CHDOs and other nonprofits, the guaranty can come from the parent nonprofit entity
- A full credit review for all loans is required for final loan approval.
- The development is responsible for the costs of the appraisal, environmental reviews, credit underwriting report, market study, title insurance, closing and legal fees, publication and all other costs incurred by the Borrower as a result of the Borrower applying for or securing a loan with the City.

Income Standards

Rent Revenue

Rent and income limits for the rent restricted units receiving City CDBG, HOME or NSP financial assistance may never exceed the HUD "High HOME" for the City of San Antonio. For HOME assisted projects with 5 or more units, at least 20% of the HOME assisted units must have "Low HOME rents. Refer the HUD HOME 2013 Final Rule (24 CFR Part 92) at 92.252 for additional details.

Year-one rents shown in the Project proforma will be the rents that will be in effect when the development is placed in service. Existing operating developments will be underwritten at current rents unless there is sufficient evidence that a rent increase for the development is feasible in the local market.

For developments with project-based Section 8 rental assistance, the City will underwrite and size debt based upon the lower of HUD-approved rents under Housing Assistance Payment Contract or market rents. In the case of developments pursuing

renewal options that allow for staged-in HUD- approved "after rehab" rents, the City may allow the higher rent levels to be incorporated into the underwriting, but will underwrite a transition reserve into the development budget.

Other Income

The amount of other income (fees, laundry, and parking) should be reasonable and comparable to other developments within San Antonio. The amounts will be evaluated by the City's underwriter.

Commercial Space

Income from commercial space will be underwritten on an exception basis only. Five years of operating history will be required, and the City and its underwriter will, at the City's sole discretion, determine an appropriate vacancy rate.

Vacancy Factor

Properties will be underwritten at a 7.5% vacancy rate. A lower vacancy rate of 5% will be used if the property has (one or more of the following attributes):

- Rents at least 20% below HOME rent limits for restricted units and 20% below comparable market rents for market rate units; or
- Existing properties are supported by historic performance indicating a lower vacancy loss experience; or
- Section 8 assisted properties if justified by historic operations.

The above percentages are minimums, and if warranted by historic performance or market conditions, a higher vacancy rate will be used. The City will, at its sole discretion, determine the appropriate vacancy rate.

Management and Operating Expenses

The Borrower will submit the management and operating (M&O) budget based on anticipated stabilized operating expenses occurring after the development is placed in service or upon full occupancy. For operating properties, the historic M&O expenses will be used, with appropriate adjustments for projected economies attributable to the proposed rehabilitation and for changes associated with new program requirements.

M&O expenses (net of real estate taxes and reserves) will be evaluated and analyzed in relationship to comparable properties in City's portfolio, expense comparables in the appraisal, and other information deemed relevant and appropriate.

M&O expense numbers are calculated on a per room basis. The rental rooms per unit are calculated as follows:

Unit Type	Rental Rooms Per Unit
Bed/Shelter	2
EFF/SRO	2.5
1 BR	3.5
2 BR	4.5
3 BR	6
4 BR	7
5 BR	8.5

The proposed M&O expenses should be based on the Borrower's current San Antonio, or southwest Texas if new to the San Antonio market, portfolio and supported by:

- Actual operating data provided by the Borrower/management company for similar developments
- Circumstances and/or significant changes to the economics of the development's current marketplace, such as increased utility costs and property insurance
- Operating trends of the Borrower or management company

The owner supporting the proposed M&O expenses should include:

- For new construction:
    - Copies of the year-end operating information from three comparable developments that have been in operation preferably at least three years
- For existing properties:
    - Copies of audited financial operating expense statements for the subject property for at least three stabilized years

In sizing its funding awards, the City reserves the right to adjust the proposed M&O expense numbers based upon the information supplied, specified development type, circumstances and/or significant changes to the economics of the development's current marketplace. The City or its Underwriter will also use its M&O expense database to compare projected M&O expenses with audit data from comparable property types.

Taxes

This section includes real property and personal property taxes, but does not apply to payroll taxes. An assessed value will be calculated based on the capitalization rate published by the county taxing authority. If the county taxing authority does not publish a capitalization rate, a capitalization rate of 10 percent or a comparable assessed value may be used.

Property tax exemptions or a Proposed Payment In Lieu Of Tax (PILOT) agreement must be documented as being reasonably achievable. At the discretion of the City, a property tax exemption that meets known federal, state and local laws may be applied based on the tax-exempt status of the Development Owner and its Affiliates.

Replacement Reserves
Reserves for replacement shall be budgeted at no less than $250 per unit per year for new construction projects and $300 per unit per year for all other housing. If the Physical Needs Assessment/Capital Needs Assessment indicates a higher amount necessary to address future capital needs, then the higher amount will be required.

Cash Flow
The proforma cash flow will assume revenue increases of no more than 2% per year and operating expenses increases of no less than 3% per year. Developments with expense-based rents can use income and expense inflation factors that are equivalent. Developments with project-based Section 8 will assume revenue increases no greater than historic average or 1.5% per year. A partially assisted project would have a pro rata inflation factor. The City reserves the right to change the appropriate inflation factors based on changes in the economic outlook.

The development must have a break-even cash flow after all expenses and reserves for 15 years on a proforma basis. The cash flow must include mandatory expenditures such as bond fees.

Debt Coverage Ratio
The level of risk presented by a development, including overall quality, current market conditions, and other factors, will be considered when making the determination of what level of debt service coverage a particular mortgage will require. The development must maintain a break-even cash flow for a minimum of 15 years on a proforma basis.

For the purposes of underwriting, the City's minimum and maximum debt coverage ratios are as follows:

	9% HTC New Construction	**4% HTC New Construction**
Minimum	1.15 DCR	1.20 DCR
Maximum	1.30 DCR	1.35 DCR
	Mixed Income	**At least 90% of Units are Section 8**
Minimum	1.20 DCR	1.15 DCR
Maximum	1.35 DCR	1.30 DCR
	Substantial Rehab	
Minimum	1.20 DCR	
Maximum	1.35 DCR	

Note: These DCRs are for City underwriting purposes in determining the size of the financing gap as it relates to the City's maximum loan calculation. It is not the intent of the City to set the DCR range for other project lenders, investors or other funders.

Development Budget

Acquisition
Please refer to related Appraisal Requirements in this Policy.

Purchase Price
The City will underwrite the acquisition cost based on the lesser of the option/purchase agreement purchase price or the appraised value of the property.

For a related-or affiliated-party transaction that occurs within three years of a previous arms-length third-party transaction, the City's underwritten acquisition cost will be based upon the lesser of the previous third-party transaction's purchase price, with no adjustment for appreciation or depreciation, or the appraised value of the property following selection for funding.

For details on the appraisal methodology, refer to the appraisal requirements in this Policy.

Acquisition-Related Costs
There will be a maximum 24-month look-back from the date that the City funds were committed to the Project and the City commitment expressly permits inclusion of specific acquisition-related costs. The following costs can be requested and considered by the City for inclusion in the project budget:

- Relocation
- Lender financing fees
- Credit reports
- Title binders and insurance
- Surety fees
- Recordation fees, transaction taxes
- Legal and accounting fees
- Appraisals
- Architectural/engineering fees for plans and specifications
- Environmental reviews
- Affirmative marketing

Closing in Balance When City Provides Construction and Bridge Financing
Except as noted below, all sources of funds must be available at closing or bridge funding must be provided to pay development costs through construction completion <u>whenever the City is providing its funds during prior to construction completion and stabilized occupancy</u>. In such instances, equity (including syndication proceeds not bridged) will be held by a title company or approved escrow agent. For tax credit projects with equity pay-ins to be made during construction, the City will, at its sole discretion, determine the need to bridge these

funds based on a review of the project, the pay-in schedule, the investor, general partner, developer, and general contractor.

In addition to syndication proceeds, other sources commonly required to be bridged are tax increment financing, other public sector grants and loans, interim income (existing properties), and any rebates that are included in the sources of financing.

General Contracting Fee Limits (For Underwriting / Gap Analysis Purposes)

- Contractor's Profit: The maximum contractor profit is 6% of net construction costs. Net construction costs are defined as construction costs and on-site work not including contractor profit, general requirements, and overhead.
- General Requirements: The maximum general requirements allowed are 6% of the net construction costs. Costs to be considered include: on-site supervision, signs, field office expenses, temporary sheds and toilets, temporary utilities, equipment rental, clean-up costs, rubbish removal, permits, watchmen's wages, material inspection and tests, all of the general contractor's insurance (except builder's risk), temporary walkways, fences, roads, and other similar expenses.
- Contractor's Overhead: The maximum allowance for overhead is 2% of net construction costs.
    - Note: The contractor fee limits may deviate from the above-noted maximum allowances so long as they do not exceed 14% of net construction costs in the aggregate.
- Developer or Owner as Contractor: When there is an identity of interest between the developer or owner and the contractor, in addition to the fee limits stated above, the combined balance of developer fee, contractor profit, contractor overhead, and general requirements may not exceed 20% of the total development costs less the developer fee.

Construction Contingency

A construction contingency is required whenever the City is funding its loan before the completion of construction:

- For new construction developments, a minimum of 3% construction contingency, subject to the City review, is required. A construction contingency of up to 7%, subject to City review, may be allowed provided the need for additional contingency is documented and supported.
- For substantial rehabilitation developments, a minimum of 7% construction contingency, subject to City review, is required. A construction contingency of up to 15%, subject to City review, may be allowed provided the need for additional contingency is documented and supported.

Cost Savings
Cost savings remaining at the end of the construction or rehabilitation, if any, may be deposited in the Replacement Reserve Account, used to reduce the City funding, or be put to another appropriate use approved in writing by the City.

Developer Fee Limits (For Underwriting / Gap Analysis Purposes)
The developer fee is provided to the developer of rental housing for the time and energy expended on and risks associated with putting a development together. Developer fees include developer overhead, developer processing fee, if applicable, developer profit, and any other amounts received by the developer as approved by the City. The developer fee must be attributed only to the development.

In some instances, the developer may delegate some of his or her responsibilities to a third party, such as a processing agent or consultant. In such cases, the delegated responsibilities must be thoroughly understood by all parties involved, and the fee paid to the third party shall be included in the calculation of the permitted maximum developer fee.

A developer fee can be included in the total development cost of the project. The maximum allowable developer fee is based on a percentage of the total development cost less the developer fee.

Development Type	Size	Maximum Developer Fee
New Construction or Rehabilitation	First 150 Units	15%
Rehabilitation	Units 151 and over	15%
New Construction	Units 151 and over	12%

If the City is disbursing its funds, in part or full, prior to construction completion and stabilized occupancy, the maximum amount of developer fee paid at closing is 25%. Of the remaining developer fee, up to an additional 60% of developer fee shall be paid no sooner than the final construction draw. The final 15% shall be paid no sooner than the developer's submission of all required tenant beneficiary information for City assisted / rent restricted units. This excludes deferred developer fee to be paid from future project cash flow.

Initial Deposit to Replacement Reserve
The City may require an initial deposit to the replacement reserve, depending upon the 20-year capital needs assessment and the level of on-going contributions to replacement reserves.

Operating Deficit Reserve
The City requires a minimum operating deficit reserve in an amount equivalent to three months of operating expenses and debt service. The City will consider a larger reserve, subject to a staff review and approval on a case-by-case basis. However, the operating deficit reserve can never exceed an amount equivalent to 18 months of operating expenses and debt service.

Financial Structuring

GAP Financing
The City deferred debt (deferred forgivable or surplus cash) only be used for and based upon the financing gap on affordable units. The City loan cannot exceed the financing gap.

Balloon Mortgages
Ballooning senior debt mortgages may require additional mitigating factors depending on overall project sources and uses, projected loan-to-value, and other risk factors. Under no circumstances will the City participate in a transaction where a senior balloon term is less than 15 years.

Surplus Cash Mortgages
The City's surplus cash loans funding will be structured with note provisions requiring that at least 50% of Eligible Cash in excess of $50,000 be paid annually to subordinate lenders (including funding partners and related parties) on a prorated basis.

Eligible Cash shall be defined as:

- Surplus cash available for partnership distribution, less
- Any outstanding:
  i. Credit adjusters
  ii. Asset management fees
  iii. Operating reserve account replenishment
  iv. Approved limited partner loans
  v. Deferred developer fees
  vi. Approved supplemental replacement reserve deposits

Projects shall submit, on an annual basis, either HUD Form 93489 (HUD Computation of Surplus Cash), or the City's form, with the project audit. The City will invoice the project, allowing for repayment to occur up to the end of the current calendar year when HUD financing is involved and general HUD distribution guidelines. Otherwise, the surplus cash payment will be due within 45 days of the invoice postmark. Late payments will be assessed a 5% late charge. The loan will be in default if payments are more than 75 days late. The default interest rate shall be 500 basis points (5%) over the note interest rate.

Appraisal Requirements

Projects Receiving City First Mortgage Acquisition Financing
Prior to funding commitment, the borrower must provide a completed Appraisal Request Form for City-Ordered Appraisals by the date specified in the City's notice of funding award, unless the development is exempt from the appraisal requirement as described below. The establishment of the date will take into account the applicable funding source commitment deadline and the Borrower's project timeline.

Developments exempt from the prior to commitment appraisal requirement:

- Acquisition price under $100,000
- Land only where there is no identity of interest. Identity of interest is used broadly to include non-arm's length transactions, related-party transactions, etc.
- Single family homes (1-4 family structures) that are aggregated under one loan
- The Borrower has provided a Market Study
- The Project is HUD 202 or HUD 811 with a funding reservation

Note: Whenever, a project is exempt under one of the above provisions, the City will use assessed value unless the borrower requests an appraisal for determining acquisition cost as defined in these Underwriting Standards.

<u>The cost of appraisals must be borne by the Borrower.</u> All costs incurred for the appraisal, and any revisions, will be the responsibility of the applicant. The City will collect the appraisal costs from its loan proceeds at closing.

Appraisals ordered by the Borrower will not be accepted. All appraisals must be ordered by the City, HUD or a designated HUD MAP lender, Fannie Mae or a designated Fannie Mae Delegated Underwriter Services (DUS) lender or a regulated financial institution.

An Agency ordered appraisal will be used to support the acquisition costs identified at the time of application. The appraised value will be used by the City and its funding partners in underwriting the acquisition cost.

An As-Is Appraisal:

- Land Only for New Construction**:** Fee simple value of the land. The market value appraisal will consider the real property's zoning as of the effective date of the appraiser's opinion of value. If the real property consists of more than one parcel, the parcels will be combined in one appraisal with one value conclusion.
- Acquisition/Rehab**:**
    - Fee simple "as-is" value of the existing multi-family property assuming market rate rents
    - Fee simple, in "as-is" condition, with existing restricted rate rents
    - Adaptive Re-Use: Fee simple market value of the property to be adapted for an alternate use. The valuation will assume the highest and best use permitted by law and economically feasible in the current market.

Prior to Closing – Scheduled Payment Loans

- For scheduled payment loans, an as-completed appraisal is required to establish loan to value
- An "as-completed and stabilized" appraisal is required for all amortizing loans
- Two hypothetical values are required:

    - As completed and stabilized, subject to restricted rents
    - As completed and stabilized, assuming market rate rents
    - The lesser of the two values will be used to determine loan to value for the City's underwriting
- The City will finance no more than 87% of appraised value (85% for loans with $15,000 per unit or less in rehabilitation).
- Plans and specifications must be sufficiently complete for the appraiser to establish the "as completed" value.
- The appraisal must be conducted no more than six months prior to closing or end loan commitment (or the borrower will be required to pay for an appraisal update).

Prior to Closing- Deferred Loans
For non-amortizing loans, the City requires an appraisal prior to closing similar to that required for amortizing loans (above). Borrowers may use another lender's appraisal. Non-Amortizing developments exempt from the prior to closing appraisal requirement include:

- Single family homes (1-4 family) that are aggregated under one loan (the City will use assessed value unless the Borrower requests an appraisal for determining acquisition cost as defined in the Borrower's Underwriting Standards.)

Loan Conditions
As a condition of the City Loan, the Developer must agree:

- To rent these properties in accordance with Affirmative marking standards and the current HUD Section 8 rental income guidelines for the Period of Affordability and the federal equal housing opportunity requirements in the Fair Housing Act.
- Not discriminate on basis or race, religion or national origin.
- Not discriminate against lower income prospective tenants, solely on the basis of their receipt of Section 8 Housing assistance support.
- Not convert the property to condominiums for the duration of the public note.
- To maintain the property in a safe, sanitary and decent condition, in compliance with the City of San Antonio Building Codes throughout the term of the public sector note.
- To provide evidence of having paid annual property taxes and secured fire and extended insurance coverage for the property.
- Comply with Annual Re-certification of tenant's annual income, which means each year the property owner must document the income of the tenant by reviewing documents such as W-2's, pay stubs, etc. in order to ensure that their income meets the low-income requirements.
- The City will examine the sources and uses for each project and determine whether the costs are eligible and reasonable, the return to the developer is appropriate (not excessive); and the other sources of funds needed for the project are firm commitments. "Reasonableness" of development costs should be based on the following factors:
    - Costs of comparable projects in the same geographical area;

    - Qualifications of the cost estimators for the various budget line items; and
    - Comparable costs published by recognized industry cost index services
- To adhere to Lead-Based Paint Abatement guidelines for all properties built 1978 and before.
- To a property inspection one (1) year after the rehabilitation and every two (2) years thereafter during the period of affordability. The owner must agree to cooperate with and assist in this inspection effort, and to resolve all deficiencies cited within the designated correction period allotted.
- To pay real property taxes and maintain adequate fire and extended coverage insurance with City named as co-insured on the subject property for the full term of the loan. The City will require owner to provide documentation of tax payment and insurance coverage on an annual basis.

Failure to comply with any of the conditions outlined above will constitute a default of the public sector loan, requiring the balance to become immediately due and payable.

During the term of the public sector loan, if the property is sold, or ownership transferred through any means, then the balance of the note then owning, including the remaining deferred forgivable portion is immediately due and payable in full.

For HOME projects, a determination of fixed or floating HOME units must be made at the time of Loan commitment. Fixed units must remain the same throughout the period of affordability. Floating units may change in order to maintain conformity so that the total number of units meet the required number of bedrooms to the originally designated HOME-assisted unit.

Loan Closing

The property owner will be required to provide the following items for loan closing:

- For substantial rehabilitation projects, the after-rehabilitation appraisal of the property showing the appropriate value relative to the proposed loan.
- Acceptable Commitment for Title Insurance Policy showing the City's interest in the total amount of the City's Deferred Payment Loan.
- Credit Reports on all Borrowers with a 15% or greater ownership interest.
- List of all real property assets and their value.
- An acceptable bid from an approved contractor. The approved contractor must be licensed, and provide proof of appropriate insurance coverage, covering the total cost of the rehabilitation work and including, but not limited to worker's compensation, general liability, and personal liability.
- Copy of the insurance policy for fire and extended coverage for 80% of the value of the property with City named as co-insured.

Permitted Rehabilitation Program Costs

CDBG or HOME funds will be used to support only the following eligible costs:

- Actual rehabilitation costs necessary to correct substandard conditions to comply with the City of San Antonio building Codes, federal environmental conditions standards, and federal lead-based paint abatement requirements.
- Essential improvements including energy conservation-related repairs, and improvements to permit use of the rehabilitated units by persons with disabilities.
- Repairs to major building system in danger of failure.
- Costs, generated by the public sector, for processing and closing the financing for the project, such as: credit reports, fees for title evidence, fees for recordation and filing of legal documents, attorney's fees, permits, and appraisal fees.
- Cost for the relocation of tenants currently residing in the property at the date of initial application, who must be temporarily or permanently displaced as a direct result of the rehabilitation activity.

Involuntary Displacement

The City prohibits involuntary displacement of residents from developments receiving funding. If a development receives federal funds, the Uniform Relocation Act provisions will apply.

Lead-Based Paint

The U.S. Department of Housing and Urban Development has instituted new rules in relation to lead-based paint hazards. The following requirements apply to Rehabilitation Programs. The required Lead Activity is based upon the amount of CDBG, HOME or NSP funding invested in the rehabilitation project.

	<$5,000	$5,000 to $25,000	>$25,000
Approach to Lead Hazard Evaluation and Reduction	Do no harm	Identify and control lead hazards	Identify and abate lead hazards
Notification	Yes	Yes	Yes
Lead Hazard Evaluation	Paint Testing	Paint Testing and Risk Assessment	Paint Testing and Risk Assessment
Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation	Interim Controls	Abatement (Interim controls may be used on exterior surfaces not disturbed by rehabilitation

Eligible Costs

The following costs may be reimbursed with HOME funds:

Hard Costs	Soft Costs
Land and Structure Acquisition	Financing Fees & credit reports
Site preparation, including demolition	Affirmative marketing, initial leasing & marketing costs
Construction Materials and Labor	Title binders and insurance
	Performance bonds and surety fees
	Recording fees
	Legal & accounting fees
	Appraisals
	Eligible Soft Costs
	Environmental reviews

CDBG funds may not be used for new building construction, in accordance with HUD regulations. However, CDBG funds may be used for all other reasonable and eligible costs in the above table.

Monitoring

The City is required by HUD to obtain information on rents and occupancy of HOME – assisted units to demonstrate compliance with the affordability rent requirements on an annual basis.

Additional Requirements for ALL Rental Housing Projects

Tenant Selection/Eligibility

An owner of rental housing assisted with HOME or CDBG funds must adopt written tenant selection policies and criteria that:

- are consistent with the City's goal of providing housing for very low-income and low-income families;
- are reasonably related to program eligibility and the applicant's ability to perform the obligations of the lease;
- provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and
- give prompt written notification to any rejected applicant stating the grounds for the rejection

Income Eligibility and Re-certification

Tenant incomes must be re-certified annually and verified with source documents every six years. If the income of a household in an assisted unit rises above 80% of Area Median Income, the household may continue to rent the unit and the household must pay monthly rent equal to the lesser of:

- The rent permitted by state law; or
- 30% of the family's adjusted monthly income at annual re-certification.

- If the project was financed with Low Income Housing Tax Credits, the tax credit rent prevails.

Acceptable Rents for HOME Projects Only

The HOME program has established rules in relation to acceptable rents. There are two rent standards: High HOME Rent and Low HOME rent. For properties with five (5) or more HOME assisted united, at least 20% of the units must have rents that meet the "Low HOME" criteria.

- **High HOME Rent:** lesser of the Section 8 Fair Market Rents for existing housing OR thirty (30) percent of the adjusted income of a family whose annual income equals 65% of the area median income.
- **Low HOME Rent:** Thirty percent of the tenant's monthly adjusted income OR thirty percent of the annual income of a family whose income equals 50% of the area median income.

HOME Match Requirement

All housing development projects must meet a 25% HOME matching requirement of contributions made from non-federal resources and may be in the form of one or more of the following:

- Cash contributions from nonfederal sources.
- Forbearance of fees
- Donated real property
- Cost, not paid with federal resources, of on-site and off-site infrastructure that the participating jurisdiction documents are directly required for HOME-assisted projects
- Proceeds from multifamily affordable housing project bond financing
- Reasonable value of donated site-preparation and construction materials, not acquired with federal resources
- Reasonable rental value of the donated use of site preparation or construction equipment
- Value of donated or voluntary labor or professional services in connection with the provision of affordable housing

Other Federal Requirements

Other federal requirements can be found in Appendix 6.

Tenant Based Rental Assistance

Only HOME funds can be used to fund Tenant Based Rental Assistance (TBRA) programs. This is not an eligible activity under the Community Development Block Grant (CDBG) Program.

Eligible Uses

TBRA may be provided to:

- Families selected from the Public Housing Authority's Section 8 Waiting List
- Eligible, in place residents of a rental project being rehabilitated under the HOME program
- Other special needs clients identified by an agency working on behalf of the City of San Antonio

TBRA may assist eligible clients with the following housing costs:

- Rent
- Utility costs
- Security deposits
- Utility deposits

Utility deposits, utility payments and security deposits may only be provided to clients who are also receiving rental assistance.

TBRA payments will be provided by making payments directly to an agency working on behalf of the tenants or directly to the landlord. No payments will be made directly to the tenant household.

Prohibited Uses

City of San Antonio HOME TBRA funds may not be used to assist tenants in conjunction with homebuyer programs, including lease purchase programs.

Income Targeting and Tenant Eligibility

All HOME funds used for Tenant Based Rental Assistance must assist families at 60% of the Area Median Income and below.

The only exceptions to the above rule are tenants who reside in rental projects being rehabilitated through the use of City HOME funds. Those tenant's incomes may reach, but not exceed, 80% of Area Median Income.

Eligible Units

Eligible tenants my rent any housing that meets the following criteria:

- Located in San Antonio City Limits
- Meets Section 8 Housing Quality Standards
- Reasonable rents are charged
- Are not public housing projects, or receiving project based federal assistance

Subsidy Amounts and Tenant Contribution

Maximum Subsidy: Maximum assistance that can be provided is the difference between 30% of the household's adjusted monthly income and the payment standard.

Minimum Tenant Contribution: All tenants are required to pay 30% of their monthly adjusted income, or $20.00 per month, whichever is greater.

Length of Assistance: Assistance will not be provided for a period of time longer than two years.

Other Tenant Requirements

Agencies administering TBRA programs may require tenant participation in a self-sufficiency program as a condition of rental assistance.

A legitimate, legal lease is requires for program participants.

Income Re-Certification

Income of tenants receiving HOME tenant based rental assistance must be re-certified on an annual basis, at a minimum. City staff may require re-certification of tenant income at any time, at the City's discretion, if it appears that a tenant's income has changed substantially during the contract term. If the tenant's income exceeds 80% of Area Median Income, HOME assistance must be terminated.

Payment Standard

The HOME payment standard will be the Fair Market Rent, annually established and published by the US Department of Housing and Urban Development.

Termination of Assistance

HOME assistance may be terminated if the following occurs:

- Household's income exceeds 80% of Area Median Income;
- Household is evicted from the approved unit by owner for cause;
- After receipt of two official notices requesting cooperation in the re-certification process, the household is unresponsive and uncooperative.

In all cases above, thirty days notice of the termination must be provided to the tenant and landlord.

Environmental Review Requirements

For every project, an Environmental Review must be completed in accordance with 24 CFR Part 58 prior to executing an agreement with a sub-recipient, developer or CHDO. The City has developed the "Environmental Review Policy, Procedures, and Standards" document to outline the process and requirements of completing an Environmental Review. This can be found in Appendix 9.

Community Housing Development Organizations (CHDOs)

Set Aside

HUD requires that 15% of the HOME allocation each year be made available to Community Housing Development Organizations (CHDOs) for the development of affordable homebuyer or rental housing.

Operating

In addition, the City can allocate up to 5% of the HOME allocation each year operating expenses for CHDOs. These funds provide operating funds to Community Housing Development Organizations based on financial need and the expectation that the organization is utilizing or will utilize the City's HOME CHDO set aside funding within 24 months of the award.

HOME funding provided for CHDO operating expenses may not exceed $50,000 or 50% of the organization's total annual operating expenses for that fiscal year, whichever is greater. CHDO operating expense funds may not supplant CHDO set-aside funds for project costs.

Certification

Organizations seeking CHDO status must document that the organization has capacity to own, develop, or sponsor housing each time it commits funds to the organization. HUD has established minimum criteria for eligibility as a CHDO and the City has developed the "Community Housing Development Organization (CHDO) Policy, Procedure, and Standards" document to outline the process and requirements for CHDO certification. This can be found in Appendix 2.

Universal Design & Design Guidelines

This portion of the manual outlines the City's policy on Universal Design and the minimum design criteria for new affordable housing projects.

In order to ensure the sustainability of the projects supported by CDBG and HOME funds, the City has established guidelines in relation to Universal Design. In addition, the City wants to ensure that newly constructed units are compatible with existing neighborhoods.

Universal Design

On April 18, 2002, the City of San Antonio adopted Universal Design Ordinance (95641) and construction requirements for all new single-family homes, duplexes, and triplexes using financial assistance from the City.

The goal of "Universal Design" is to ensure that housing can accommodate the needs of people with a wide range of abilities, including children, aging populations and persons with disabilities. Consequently, all new construction housing projects using City of San Antonio CDBG and/or HOME funds will meet all the following criteria:

- At least one entrance shall have 36-inch door and be on an accessible route.
- All interior doors shall be no less that 32-inches wide; except for a door that provides access to a closet of fewer than 15 square feet in area. Each hallway shall have a width of at least 36-inches wide and shall be level and ramped or beveled changes at each door threshold.
- All bathrooms shall have the walls reinforced around the toilet, bathtub and shower; for future installation of grab bars.
- Each electrical panel, light switch or thermostat shall be mounted no higher than 48 inches above the floor. Each electrical plug or other receptacle shall be at least 15 inches from the finished floor.
- An electrical panel located outside the dwelling unit must be between 18 inches and 42 inches above the ground and served by an accessible route.
- All hardware installed to open/close doors and operate plumbing fixtures shall be lever handles.

Universal Design Waiver or Exterior Accessibility Requirements

- The Director of Planning and Development Services or his designee may only grant modifications or an exemption to the requirements of the Ordinance regarding full compliance with the exterior path of travel on an individual case-by-case basis. The criteria for granting a modification or exemption are as follows:
    1. The lots rises or falls so steeply from the street that a maximum 1:12 slope cannot be achieved without extensive grading; and
    2. No vehicular access to the back of the house will be available by means of an alley.

- Appeals of orders, decisions of determination made by the Director of Planning and Development Services may be made to the building and Fire Code Board of Appeals.

Universal Design Implementation

- Clearly stamp or print "Universal Design" on plans submitted in accordance with the 95641 Ordinance.
- Clearly Identify design elements outlined in Ordinance.
- Certify that the plans comply with the requirements of the Ordinance.
- Plan checking, construction inspections and enforcement shall be accomplished by the Development Services Department in accordance with existing procedures.

For complete information please refer to the approved Ordinance 95641, shall you have any questions a preconstruction meeting is suggested to discuss the Universal Design Ordinance and the process of development.

Design Guidelines

All builders and developers of infill housing are strongly encouraged to incorporate the defining features of a neighborhood into newly constructed infill houses. Those defining features of older inner city neighborhoods may include: roof pitches, porches, materials, and window types. Developers must comply with any standards established by an existing neighborhood conservation district and/or approved neighborhood plan.

For infill projects supported with CDBG and/or HOME funds, developers will be required to demonstrate that the neighborhood association near the land to be developed has been consulted on the design issues. Developers should obtain input and feedback from neighborhood residents and work with them to ensure that designs are compatible with existing housing and development patterns.

In extreme cases where an agreement cannot be reached between the developer and local neighborhood groups, CDBG and/or HOME funding may be pulled from the project.

Specific design guidelines may be developed for certain City sponsored projects. Historic and neighborhood conservation district requirements must also be met for all projects.

For rehabilitation projects, builders and developers are strongly encouraged to retain the defining features of older structures. This applies to multi-family and single-family projects.

Resolutions of Support or No Objection

The City of San Antonio (the City) has developed a policy for developers requiring Resolutions of Support or No Objection for multi-family rental housing development projects seeking Housing Tax Credits (HTC) through the Texas Department of Housing and Community Affairs (TDHCA). Each year, the TDHCA is required to develop the Qualified Allocation Plan (QAP) to establish the procedures and requirements relating to the allocation of Housing Tax Credits. Once the QAP is submitted and approved by the Office of Governor, which occurs in December of each year, the adopted QAP will be published in the Texas Register.

In the administration of its HTC Program, the TDHCA awards application points for a resolution from a Governing Body of a local municipality on the following basis:

(A) Within a municipality, the application will receive:

- seventeen (17) points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality supports the application or development; or
- fourteen (14) points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality has no objection to the application or development.

(B) Within the extraterritorial jurisdiction of a municipality, the Application may receive:

- eight and one-half (8.5) points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality supports the Application or Development; or
- seven (7) points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality has no objection to the Application or Development

The City will issue a Request for Applications for Resolutions of Support or No Objection in December of each year and provide bring forth recommendations to the Housing Subcommittee and City Council in February of each year. This schedule is in line with the TDHCA program calendar.

Evaluation Criteria

The City has developed a self-scoring application in order to conduct a comprehensive, fair and impartial evaluation of all applications received in response to the Request for Applications process. Each application is analyzed to determine overall responsiveness and qualifications under this policy. Evaluation Criteria are outlined below:

1. General Partner and Property Management Experience – Up to 20 total points (as determined utilizing the below general partner and property manager point tables)

General Partner – up to 10 of the 20 total experience points. To receive experience points under this category, the proposed general partner(s), or a key individual(s) (officer, managing member or principal) within the proposed general partner organization (the "general partner"), must meet one of the following tests for each counted project.

To obtain points for a current project owned by the proposed general partner, the applicant must certify that the development has: 1) been in service and continuously operated for three or more years; 2) yielded positive operating cash flow from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.); and 3) held reserves as required by the partnership agreement and any/all applicable loan agreements.

To obtain points for projects previously owned by the proposed general partner, the applicant must certify that: 1) the ending date of ownership or participation was no more than 10 years before the deadline associated with the subject application; 2) the previously owned development was yielding positive operating cash flow from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.) at the time of disposition; and 3) the project was holding reserves as required by the partnership agreement and any/all applicable loan agreements at the time of disposition.

Experience of the General Partner – Up to 10 points	Points
1-2 Multi-family rental housing projects in service more than 3 years	**1**
1-2 Sec. 42/142/HOME projects in service more than 3 years	**3**
3-6 Multi-family rental housing projects in service more than 3 years	**4**
3-6 Sec. 42/142/HOME projects in service more than 3 years	**6**
7 or more Multi-family rental housing projects in service more than 3 yrs.	**7**
7 or more Sec. 42/142/HOME projects in service more than 3 years	**10**

"Sec.42/142/HOME" means Internal Revenue Code §42 "Low-income housing credit", §142 "Exempt facility bond – qualified residential rental project", and/or 24 CFR Part 92 - HOME Investment Partnerships Program ("HOME")
"Multi-family housing" means any multi-family rental housing project of 20 units or more that is not subject to IRC §42, IRC §142, or 24 CFR Part 92 requirements.

Property Manager – Up to 10 of the 20 total experience points. To receive experience points under this category, the proposed property management entity must meet one of the following tests for each counted project.

To obtain points for a current project managed by the proposed property management entity, the applicant must certify that the property has: 1) been in service and continuously managed by the proposed property management entity for three or more years; 2) yielded positive operating cash flow from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.); and 3) held reserves as required by any/all applicable partnership agreement and loan agreements.

To obtain points for projects previously managed by the proposed property manager, the applicant must certify that: 1) the ending date of management agreement was no more than 10 years before the deadline associated with the subject application; 2) the previously managed development was yielding positive operating cash flow from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.) at the time of termination of the management agreement; and 3) the project was holding reserves as required by the partnership agreement and any/all applicable loan agreements at the time of termination of the management agreement.

Experience of Property Manager – Up to 10 points	Points
1-2 Multi-family rental housing projects managed more than 3 years	**0**
1-2 Sec. 42/142/HOME projects in service more than 3 years	**3**
3 or more Multi-family rental housing projects in service more than 3 yrs.	**4**
3-6 Sec. 42/142/HOME projects in service more than 3 years	**6**
7 or more Multi-family rental housing projects in service more than 3 yrs.	**7**
7 or more Sec. 42/142/HOME projects in service more than 3 years	**10**

"Sec. 42/142/HOME" means Internal Revenue Code §42 "Low-income housing credit", §142 "Exempt facility bond – qualified residential rental project", and/or 24 CFR Part 92 - HOME Investment Partnerships Program ("HOME")

"Multi-family housing" means any multi-family rental housing project of 20 units or more that is not subject to §42, §142, or 24 CFR Pat 92 requirements.

2. Nonprofit Organization Participation – 10 points
To receive these points, the nonprofit organization must have controlling interest (e.g., greater than 50 percent ownership in the General Partner) in the project. If ownership is a limited partnership, the Qualified Nonprofit Organization must be the Managing General Partner. If ownership is a limited liability company, the nonprofit organization must be the controlling Managing Member. Additionally, the nonprofit entity or its affiliate or subsidiary must be the developer or a co-developer of the project.

The nonprofit organization is not required to elect to apply under the State's Nonprofit Set-aside in order to receive these points.

3. REnewSA Target Area – 20 points
To receive these points, the Project must be located in one of the 7 REnewSA Target Areas – 1) Avenida Guadalupe, 2) Edgewood, 3) Five Points, 4) Harlandale, 5) Las Palmas, 6) South San/Kindred, and 7) Wheatley Target Areas

4. ICRIP – Inner City Reinvestment Infill Area – 16 points
Project is located within the City of San Antonio Inner City Reinvestment Infill zone.

5. Housing Opportunity Area (HOA) – Up to 16 points.
Three factors are used in determining and ranking housing opportunity areas (HOAs). The three factors are:

- The poverty rate of the Census Tract within which the housing project is located;
- The medium income of the Census Tract within which the housing project is located; and
- The student achievement rating of the school within which the students of housing project are assigned to attend. This area is commonly referred to as the school "attendance zone".

The matrix below shall be used in determining the appropriate score for this HOA criteria. The matrix establishes HOA threshold criteria (found in the below matrix at the 4-Point Level) and further defines the relative quality of an HOA by ranking the poverty and median income factors across the other Point Levels. The third factor – the school attendance zone factor – is either present or not. In other words, a HOA can receive 4, 8, 12 or 16 points, depending on the particular combination of factors.

Census Tract Poverty Rate	Census Tract Quartile MSA Median Income	Elementary School TEA Rating	Points
<15% for all individuals	Top Quartile	Met standard rating and ≥ 77 on index 1	**16**
<15% for all individuals	Second Quartiles	Met standard rating and ≥ 77 on index 1	**12**
<15% for all individuals	Top Quartile	(intentionally blank)	**8**
<15% for all individuals	Top Two Quartiles	(intentionally blank)	**4**

6. Determination of Project Feasibility – Up to 20 points (5 points each, no more than 20 points can be awarded in this category)

- Proposed rent schedule consistent with TDHCA rent limits on rent-restricted units.
- Appropriate vacancy and collection loss assumptions in the project pro forma are consistent with TDHCA HTC requirements.
- Reserves in the pro forma are consistent with TDHCA HTC requirements.
- Completed Market Feasibility Report with conclusions supporting the applicable project pro forma assumptions completed or underway.

7. Project Site Characteristics – Up to 10 points (5 points each)

- Project meets land use density requirements at time of application
- Project meets City of San Antonio zoning requirements at time of application

8. Transit Amenities – Up to 28 points (zero to four points each, no more than 28 points can be awarded in this category)

The following transit amenity matrix shall be used in scoring the project:

	Points		
Amenity	**1/4 mile or less**	**>1/4 mile and < 1/2 mile**	**1/2 mile and up to 1 mile**
Bus Station or Stop	4	2	1
Public Park	4	2	1
Full Scale Grocery Store	4	2	1
Community or Senior Center	4	2	1
Aging & Disability Resource Center	4	2	1
	Points		
Amenity	**1/2 mile or less**	**>1/2 mile and < 1 mile**	**1 mile and up to 2 miles**
Qualifying Medical Clinic or Hospital	4	3	1
	Points		
Amenity	**20 minutes or less**	**> 20 min. and < 40 min.**	**More than 40 min.**
Transit time to Major Employment Center	4	2	0

9. Project Readiness – Up to 10 Points *(5 points each, no more than 10 points can be awarded in this category)*

- Applicant has secured site control per TDHCA HTC definition of site control.
- Environmental Report (s) has/have been completed.

10. Resident Services – *Up to 15 points (5 points each; no more than 15 points can be awarded in this category)*

- The equivalent of one (1) FTE resident service coordinator for every 600 project bedrooms.
- Project provides or has agreements with third party service providers to provide on-site educational, wellness and/or skill building classes
- Project provides on-site, licensed child care or after school program that operates at least 20 hours per week.

165 total points are provided under the above scoring preferences. To receive a staff recommendation for a **Resolution of Support,** the applicant must score 85 points. Any applicant receiving less than 85 points, shall be eligible to receive a staff recommendation for a Resolution of No Objection, provided the application receives at least 6 experience points under the *I. General Partner and Property Manager Experience* of the above scoring methodology.

APPENDICES

Appendix 1: City of San Antonio Income Limits and Part 5 Requirements

Appendix 2: Community Housing Development Organization (CHDO) Policy, Procedure and Standards

Appendix 3: HOME Program Recapture/Resale Requirements for Homebuyer Activities

Appendix 4: City of San Antonio Affirmative Fair Housing Marketing Policy (AFHMP)

Appendix 5: Residential Anti-Displacement and Relocation Assistance Plan (RARAP)

Appendix 6: Other Federal Requirements

Appendix 7: Lead Based Paint Requirements

Appendix 8: Environmental Review Policy, Procedures, and Standards

Appendix 9: Regulatory References

APPENDIX 1
City of San Antonio Income Limits and Part 5 Requirements

Per 24 CFR Part 92.203(b)(1), the City has elected to utilize the 24 CFR Part 5 definition for determining annual income which is commonly referred to as the "Section 8 Low-Income Limit". To be eligible for HOME or CDBG funds, households must have annual (gross) incomes at or below 80% of area median income, adjusted by household size and determined annually by the U.S. Department of Housing and Urban Development (HUD).

The *Technical Guide for Determining Income and Allowances for the HOME Program* should be utilized as a resource and the standard for the following determinations:

- Whose Income to Count
- Types of Income to Count
- Treatment of Assets
- Income Inclusions and Exclusions
- Verifying Income
- Comparing Annual Income to Published Income Limits
- Determining Household Size
- Source Documentation
- Timing of Income Certifications

The annual income limits are published by HUD each year at the webpage below.
http://www.huduser.gov/portal/datasets/il/il15/index.html

APPENDIX 2
Community Housing Development Organization (CHDO) Policy, Procedure, and Standards

APPENDIX 3

HOME Program Recapture/Resale Requirements for Homebuyer Activities

To ensure that HOME investments yield affordable housing over the long term, HOME regulations impose occupancy requirements over the length of an affordability period. If a house purchased with HOME funds is sold during the affordability period, recapture or resale provisions as per 24 CFR 92.254 shall apply to ensure the continued provision of affordable homeownership.

Definitions

Affordability Period: Occupancy restrictions for varying lengths of time for those homeowners assisted with HUD HOME funds. The affordability period affects the terms of the resale/recapture of the property if sold during the affordability period.

HOME Affordability Periods	
HOME subsidy/unit	Minimum Period of Affordability in Years
Under $15,000	5
$15,000 to $40,000	10
Over $40,000	15

Direct Homebuyer Subsidy: A direct subsidy consists of any financial assistance that reduces the purchase price from fair market value to an affordable price, or otherwise directly subsidized the purchase (e.g., down payment or closing cost assistance, subordinate financing, etc.).

Development subsidy: A development subsidy is the difference between the cost to develop housing and the market price. For example, the PJ might provide a $50,000 construction loan to a developer. The appraised value after construction will be $45,000 because of neighborhood and the market conditions. The $5,000 difference between the $45,000 sale price and $50,000 construction loan is not repaid to the PJ and represents a development subsidy provided to the developer. While the subsidy does not go directly to the homebuyer, it helps make development of an affordable home feasible.

Summary of Provisions for the City of San Antonio by Subsidy Type:		
Direct Homebuyer Subsidy (DHS)	**DHS + Development Subsidy**	**Development Subsidy**
Recapture provisions shall apply	Recapture provisions shall apply	Resale provisions shall apply

Net Proceeds: The sales price minus loan repayment (other than HOME funds) and closing costs.

Recapture Requirements

The City of San Antonio (COSA) has adopted a recapture provision for all Homebuyer Activities using HUD HOME funds as a Direct Homebuyer Subsidy or if the project includes both a Direct and Development Subsidy. These provisions ensure that COSA recoups all or a portion of the HOME assistance to the homebuyer (closing costs, down payment and/or junior mortgage) if the home does not continue to be the principal residence of the homebuyer for the duration of the affordability period (time during which homebuyer for the duration of the affordability period (time during which homebuyer must maintain property as principal residence).

COSA shall reduce the HOME investment amount to be recaptured on a **pro-rata basis** for the time the homeowner has owned and occupied the housing measured against the entire affordability period (i.e., a forgivable period). The HOME subsidy will be forgiven annually upon the anniversary of the closing date (e.g. 1/5 of HOME subsidy forgiven each year for a five-year affordability period on the anniversary of the closing date).

The City shall recoup funds based on a **shared net proceeds basis.** The maximum recapture amount by the City is equal to the HOME subsidy, times one minus the pro-rata basis percentage (Subsidy X (1 – Pro-Rata Basis)).

Example:

- Home assistance - $30,000
- Owner down payment - $10,000
- COSA forgiveness – 10% each year for a 10-year affordability period
- Sale at end of year 6 in a 10-year affordability period
- Superior Private debt - $150,000
- Owner closing costs 0 $5,000

1) **Net Proceeds**	2) **Reduction to Direct Subsidy**	**3) Amount to Recapture**
$175,000 (Sales proceeds) -$150,000 (Private debt) -$ 5,000 (Closing costs) $ 20,000 (Net proceeds)	$30,000 x 10% = $3,000/year 6 years x $3,000/year = $18,000 forgiven $30,000 - $18,000 = $12,000	$12,000 – City; $8,000 - Owner

In the event the Homebuyer sells the property during the affordability period, and the net proceeds are not sufficient to repay the City the lesser of either the actual balance owed on the subsidy OR the remaining balance according to the affordability period, the City shall recapture any and all net proceeds.

Under the recapture provision, the amount subject to the affordability period includes the amount provided directly to, or on behalf of the homebuyer, including down payment, closing costs, and/or direct loan **plus** any HOME assistance that lowers the cost of the home below market price (i.e. the difference between the market value of home and what is actually sold for).

Resale Requirements

The City of San Antonio shall require that Resale provisions be used in the event that only a Development Subsidy is used to make the home affordable (i.e. funding construction to the developer). In a project where both Development and Direct subsidies are provided, recapture provisions apply.

Resale provisions require the homeowner to sell to another low-income homebuyer. The resale requirement must ensure that the price at resale provides the original HOME-assisted owner a fair return on investment and ensure that the housing will remain affordable to a reasonable range of low-income homebuyers as defined below:

Affordable to range of low-income homebuyers (As it relates to the Resale Provision only): That which is affordable to a family earning 80% AMI and below and that who not pay any more than 30% their gross income for PITI (Principle, Interest, Tax, and Insurance).

Fair Return on Investment (As it relates to the Resale Provision only): A Homeowner can sell the home during the affordability period according to the following chart:

Fair Return on Investment (as it relates to Resale Provision only)		
Years	**Lower Range**	**Max Limit**
Year 1-5 of Affordability Period	A Homeowner can sell the home during the affordability period for no more than 15% over BCAD's most recent appraisal value	Current (as of date of sale) Affordable Home Price as set forth in the City of San Antonio Housing Policy
Year 6-15 of Affordability Period	No Cap on appreciation rate	Current (as of date of sale) Affordable Home Price as set forth in the City of San Antonio Housing Policy

Homeownership projects undertaken using the resale provision shall use deed restrictions, covenants running with land, or other similar mechanisms per 92.254(a)(5)(i)(A) to ensure the resale requirements. The period of affordability specified in the mortgage will be the minimum period for the project as specified above. The period of affordability is based on the total amount of HOME funds invested in the housing.

Either recapture or resale provisions must be detailed and outlined in accordance with 24 CFR 92.254 in marketing brochures, written agreements and all legal documents with homebuyer. Either recapture or resale may be used within a project, not both. Combining provisions to create "hybrids" is not allowed.

APPENDIX 4
City of San Antonio Affirmative Fair Housing Marketing Procedures and Requirements (AFHMP)

The Affirmative Fair Housing Marketing (AFHM) Plan is a marketing strategy or approach designed to attract renters and buyers that would be least likely to apply to assisted multi-family or single-family developments. The City of San Antonio requires that all recipients and sub-recipients of HOME, CDBG or NSP funds, for all projects resulting in five (5) or more assisted housing units, implement affirmative marking approaches as part of the overall marketing strategy. To market affirmatively means that a good faith effort is made to attract to a project those minority or majority groups who are least likely to apply or are underrepresented in a neighborhood or community. Good faith efforts are recorded activities and documented outreach to those individuals identified as least likely to apply. Affirmative marketing requirements apply to all housing programs, including, but not limited to Tenant-Based Rental Assistance and Down Payment Assistance Programs.

The City of San Antonio is committed to affirmatively market to such groups and requires that recipients of HOME/CDBG funds to submit an AFHM Plan using HUD Form 935.2B for single-family developments and HUD Form 935.2A for multi-family developments, prior to expending any funds on a project.

In developing an Affirmative Marketing Plan, the recipient/managing agent shall abide by the following:

I. Regulations

HOME: The recipient/managing agent shall adopt the affirmative marketing procedures and requirements as specified in the HOME Final Rule 92.351 for all projects resulting in five (5) or more HOME-assisted housing units.

CDBG: The Housing and Community Development Act of 1974, as amended, requires from each federal grantee, through the Consolidated Plan certify the following:

(1) Examine and attempt to alleviate housing discrimination with their jurisdiction;
(2) Promote fair housing choice for all persons;
(3) Provide opportunities for all persons to reside in any given housing development, regardless of race, color, religion, sex, disability, familial status, or national origin;
(4) Promote housing that is accessible to and usable by persons with disabilities;
(5) And comply with non-discrimination requirements of the Fair Housing Act.

II. Policy on Nondiscrimination and Accessibility

The recipient/managing agent shall not discriminate against any individual or family because of race, color, national origin, religion, gender, disability, familial status or presence

of children in a household. Reasonable accommodations will be offered to all disabled persons who request accommodations due to disability at any time during the application, resident selection and rent up process.

III. Training

1. The recipient/managing agent shall provide property management staff with all relevant regulations and Fair Housing provisions. All property management staff shall be required to follow the procedures and policies adopted by the recipient/managing agent. In the event that property management staff requires fair housing technical assistance, staff is to call the **City of San Antonio Fair Housing Office (210-207-5910).** For information on disability sensitivity training or Americans with Disabilities Act requirements related to Fair Housing, contact the **City of San Antonio Disability Access Office (210-207-7957).**

2. Regular training programs shall including marketing, outreach, data collection, reporting, and record keeping. Property management staff shall annually receive instruction regarding fair housing laws and the recipient/managing agent's Affirmative Marketing Plan.

IV. **Marketing and Outreach**

1. All advertising shall display the Equal Housing Opportunity logo or the phrase "Equal Housing Opportunity" and the accessibility logo when appropriate, as shown below:

2. Consistent with resident population the development is designed to serve, the marketing of the project will ensure equal access to appropriate size units for all persons in any category protected by federal, state, and local laws governing discrimination. There will be no local residency requirements nor will preference be given to local residents for the project. Special marketing outreach consideration shall be given to the following traditionally underserved populations:
    a. African-Americans
    b. Native Americans
    c. Hispanics
    d. Asians and Pacific Islanders
    e. Disabled Persons

3. Marketing shall include the use of newspapers of general circulation in San Antonio, The recipient/managing agent will place notices in newspapers, specialized publications, and newsletters to reach potential residents. Applications, notices and all publications will include a Fair Housing and Equal Opportunity Logo, and the Accessibility Logo.

4. The recipients/managing agent will contact local civic and community organizations representative of the ethnic and cultural diversity of the area in order to disseminate information about the development. Groups representing disabled and elderly individuals will be contacted. Where necessary, recipient/managing agent will publish its marketing materials in multiple languages and alternate formats as requested in order to better reach potential recipients and sub-recipients in the area with language limitations.

V. Race and Ethnic Data Collection and Reporting

An applicant shall be given an application package containing the following: Application, Income Requirements and form HUD-27061-H "Race and Ethnic Data Reporting Form." The recipient/managing agent is required to offer each household member the opportunity to complete the form. Parents or guardians are to complete the form for children under the age of 18. Completed documents for the entire household shall be stapled together and place in the household's file.

VI. Compliance Assessment

1. The recipient/managing agent will review the Affirmative Marketing Plan every year and update as needed to ensure compliance. The advertising sources will be included in the review to determine if past sources should be changed or expanded.

2. The recipient/managing agent will annually assess the success of affirmative marketing actions for the project. If the demographic data of the residents vary significantly from the jurisdiction's population data, advertising efforts and outreach will be targeted to underrepresented groups in an attempt to balance the residents with the demographics of the jurisdiction. The recipient/managing agent shall submit any changes to the plan to the Fair Housing Office.

VII. Record Keeping

1. The assigned recipient/managing agent shall establish and maintain an Affirmative Marketing file to hold advertisements, flyers, and other public information documents to demonstrate that the appropriate logo and language have been used. Additionally, staff shall keep records of its activities in implementing the affirmative marketing plan, including other community outreach efforts and its annual analysis.

2. Recipient/managing shall keep up-to-date records based on census data, applications, and surveys about community residents, recipients and sub-recipients, residents of the project, and records about tenant selection or rejection.

3. The recipient/managing agent shall provide City staff provide City staff access to any pertinent books, documents, papers or other records of their properties, as necessary, for determining compliance with civil rights and nondiscrimination requirements.

APPENDIX 5
Residential Anti-Displacement and Relocation Assistance Plan (RARAP)

This Residential Anti-Displacement and Relocation Assistance Plan (RARAP) is prepared by the City of San Antonio Office of Grants Monitoring and Administration (City) in accordance with the Housing and Community Development Act of 1974, Section 104(d) as amended and HUD regulations at 24 CFR 42.325 and is applicable to CDBG, CDBG-R, Section 108 Loan Guarantee Program, NSP and/or HOME-assisted projects.

Plan to Minimize Displacement of Low/Mod-Income Families as a Result of Any HUD Assisted Activities

Consistent with the goals and objectives of activities assisted under the Act, the City will take the following steps to minimize the direct and indirect displacement of persons from their homes:

- Coordinate code enforcement with rehabilitation and housing assistance programs.
- Support the ICRIP and Reinvestment Plans through this policy
- Ensure the staging of rehabilitation of apartment units to allow tenants to remain in the building/complex during and after the rehabilitation, working with empty units first.
- Ensure for the arrangement of facilities to house persons who must be relocated temporarily during rehabilitation.
- Identify and mitigate displacement resulting from intensive public investment in neighborhoods.
- Provide reasonable protections for tenants faced with conversion to a condominium or cooperative.
- Where feasible, give priority to rehabilitation of housing, as opposed to demolition, to avoid displacement.
- If feasible, allow for demolition or conversion of only dwelling units that are not occupied or vacant occupied dwelling units (especially those units which are “lower-income dwelling units” (as defined in 24 CFR 42.305).
- Target only those properties deemed essential to the need or success of the project.

Relocation Assistance to Displaced Persons
The City will ensure relocation assistance for lower-income tenants who, in connection with an activity assisted under the above-mentioned Programs, move permanently or move personal property from real property as a direct result of the demolition of any swelling unit or the conversion of lower-income dwelling unit in accordance with the requirements of 24 CFR 42.350.

A displaced person who is not a lower-income tenant, shall be provided relocation assistance in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970m Section 104(d) as amended, and implementing regulations at 49 CFR Part 24.

One-for-One Replacement of Lower-Income Dwelling Units
The City will ensure replacement of all occupied and vacant occupied lower-income dwelling units demolished or converted to use other than lower-income housing in connection with a project assisted with funds provided under the above-mentioned programs in accordance with 24 CFR 42.375.

Before entering into a contract committing the City to provide funds for a project that will directly result in demolition or conversion of lower-income dwelling units, the City will ensure publication of such project in a newspaper of general circulation and submit to HUD the following information in writing:

1. A description of the proposed assisted project;

2. The address, number of bedrooms, and location on a map of lower-income dwelling units that will be demolished or converted to a use other than as lower-income dwelling units as a result of assisted project;

3. A time schedule for the commencement and completion of the demolition or conversions;

4. To the extent known, the address, number of lower-income dwelling units by size (number of bedrooms) and location on a map of the replacement lower-income housing that has been or will be provided. NOTE: See also 24 CFR 420.75(d).

5. The source of funding and a time schedule for the provision of the replacement dwelling units;

6. The basis for concluding that each replacement dwelling unit will remain a lower-income dwelling unit for at least 10 years from the date of initial occupancy; and

7. Information demonstrating that any proposed replacement of lower0income dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the HUD-approved Consolidated Plan and 24 CFR 42.375(b).

To the extent that the specified location of the replacement dwelling units and other data in items 4 through 7 are not available at the time of the general submission, the general location of such dwelling units will be identified on a map and the City will ensure that the disclosure and submission requirements are completed as soon as the specific data is available.

Replacement not required Based on Unit Available
Under 24 CFR 42.375(d), the City may submit a request to HUD for a determination that the one-for-one replacement requirement does not apply based on objective data that there is an adequate supply of vacant lower-income dwelling units in standard condition available on a non-discriminatory basis within the area.

Responsible Entity
The City is responsible for tracking the replacement of lower income dwelling units and ensuring that they are provided within the required period. This City will also ensure that relocation payments and other relocation assistance are provided to any lower-income person displaced by the demolition of any dwelling unit or the conversion of lower-income dwelling units to another use.

APPENDIX 6
Residential Anti-Displacement and Relocation Assistance Plan (RARAP)

Other Federal Requirements	Apply to Owner Occupied Rehabilitation?	Apply to Homebuyer Programs?	Applies to Rental Housing Programs?
Non-Discrimination and Equal Access Rules			
Fair Housing and Equal Opportunity	Yes. Must affirmatively further Fair Housing	Yes	Yes.
Affirmative Marketing	Yes.	Yes, for all projects of five or more HOME-assisted units.	Yes; for projects containing five or more Home-assisted units.
Accessibility for Disabled Persons	Accessibility features must be part of rehabilitation, if needed by owner/occupant and the overall unit is brought up to the PJ's property standard. (Note: Accessibility improvements are eligible costs.)	Yes.	Yes.
Employment and Contracting Rules			
Equal Opportunity Employment	Yes.	Yes.	Yes.
Section 3 Economic Opportunity		Yes, if amount of assistance exceeds $200,000 or contract ***or*** subcontract exceeds $100,000.	Yes, if amount of assistance exceeds $200,000 or contract ***or*** subcontract exceeds $100,000.
Minority/Women Business Enterprises	No.	Yes.	Yes.
Davis-Bacon & other Labor	No.	Yes, if construction contract includes 12 or more units that are HOME-assisted	Yes, if construction contract includes 12 or more units that are HOME-assisted
Conflict of interest	Yes.	Yes.	Yes.
Excluded Parties (e.g., Debarred Contractors)	Yes.	Yes	Yes.
Other Federal Requirement			
Environmental Reviews	Yes.	Yes	Yes.
Flood Insurance	Yes for PJs that are cities/counties. No for State programs.	Yes if city or county. No if state program	Yes for PJs that are cities/counties. No for State PJs.

Site and Neighborhood Standards	No.	No.	Yes; for rental new construction only
Lead-Based Paint	Yes for pre-1978 units	Yes for pre-1978 units.	Yes for rehabilitation of pre-1978 units. Applies to HOME and non-HOME assisted units. Requirements differ depending on whether rehabilitation work is performed.
Relocation	Yes.	Yes	Yes.

APPENDIX 7
Lead-Based Paint Requirements

This portion of the manual outlines the requirements in relation to Lead-Based Paint.

The U.S. Department of Housing and Urban Development recently adopted new regulations in relation to the treatment of Lead Based Paint in properties built before 1978 that are assisted with HUD funding. The requirements are outlined below based on the activity undertaken. To obtain a copy of the rules from HUD, go to the HUD website at: www.hug.gov/lead and download the regulation.

The section does not outline the City programs that are available to provide financial assistance in relation to lead abatement. Please note, however that any financial assistance provided by the City to address lead based paint will be in the form of a GRANT to the homeowner to developer.

Down-payment Assistance Programs:
The following are HUD's requirements See 24 CFR part 35 (subpart K):

- Distribute Lead Hazard Information Pamphlet and Disclosure to buyers of homes built prior to 1978.
- Perform Visual Assessment of all painted surfaces.
- If Visual Assessment reveals deteriorated paint, action must be taken to stabilize each deteriorated paint surface.
  -At this point, one will have to assume every component has lead since the Visual Assessment does not determine where lead is present. Safe work practices must be used by trained worker in this field. Paint stabilization works will on non-friction surfaces such as walls (interior/exterior). When dealing with friction points such as windows and doors, abatement procedures (removal, replacement, enclosure) are recommended.
- After paint stabilization, clearance must be performed by a certified Risk Assessor or Lead Inspector. HUD has established lead levels that meet clearance requirements.
- Notify the homebuyer within 15 days of results of clearance exam.

At the Visual Assessment Stage, the homebuyer *may opt* for a lead test. This will reveal the levels of lead present in the home. A lead inspection will not tell you the risk involved, but only where the leas is located. This is when a buyer may request a Risk Assessment to outline the necessary Lead Hazard Reduction methods needed to insure a lead safe residence.

Following are some options (NOT REQUIREMENTS) to consider in relation to your program design for down payment assistance programs:

- If the visual assessment reveals defective paint in which stabilization and clearance is required then this cost can be funded by the nonprofit or the homebuyer or seller.
- If visual assessment shows no deterioration of a painted surface, the homebuyer can sign a waiver stating that they are aware of the potential presence of lead paint and they choose not to address it.
- A qualified consultant should advise on any lead inspection, lead hazard screen or risk assessments.

For Rehabilitation Programs (Owner-Occupied, Homebuyer, and Rental Property Rehabilitation Programs and Historic Preservation Residential Programs):

See 24 CFR Part 35 (subpart J)

If you are implementing a rehabilitation program, HUD's requirements are a bit more stringent in relation to lead based paint. The following describes HUD's requirements:

For HUD funded rehabilitation activities, lead hazard evaluation and reduction activities must be carried out for all projects constructed before 1978.

In all case, notification must be made to the homeowner/buyer in the form of the HUD Lead Hazard Information Pamphlet and Disclosure or an acceptable alternative pamphlet.

The required evaluation and reduction activity is dependent upon the amount of HUD funding used for the project.

For cases where less than or equal to $5,000 will be spent on the rehabilitation:
Testing: Paint Testing of surfaces to be disturbed by the rehabilitation activities must occur.

Lead Hazard Reduction: Surfaces, which are disturbed during rehabilitation, must be re paired. Safe work practices must be used. After the rehabilitation activities are completed, clearance must be performed by a certified professional to ensure that units are safe.

For cases where $5,001 to $25,000 will be spent on the rehabilitation:
Testing: Paint testing of surfaces to be disturbed by rehabilitation must occur. In addition, a risk assessment must be performed.

Lead Hazard Reduction: Interim controls must be used. This means that the friction and impact surfaces would be addressed. Interim controls include paint stabilization and cleaning. Safe work practices must be used. After the rehabilitation activities are completed, clearance must be performed by a certified professional to ensure that units are safe.

For cases where more than $25,000 will be spent on the rehabilitation:
Testing: Paint testing of surfaces to be disturbed by rehabilitation must occur. In addition, a risk assessment must be performed.

Lead Hazard Reduction: abatement of hazards is the required approach. Abatement involves permanently removing lead based hazards, often through paint and component removal, replacement, encapsulation and enclosure. Interim controls and paint stabilization may be used on the home's exterior if it is not involved in the rehabilitation. Safe work practices must be used. After the lead hazard reduction activities are completed, clearance must be performed by a certified professional to ensure that units are safe.

Calculating the level of rehabilitation assistance:
When calculating how much HUD funding will be used on a rehabilitation project, the following costs are counted: soft costs, administrative costs, relocation costs, environmental reviews, acquisition of property, and lead hazard evaluation and reduction costs.

APPENDIX 8
Environmental Review Policy, Procedures, and Standards

APPENDIX 9
Regulatory References

You may be interested in reading the actual regulations published by the U.S. Department of Housing and Urban Development for CDBG and HOME and the applicable federal requirements. A copy of the regulations may be obtained by the contracting the Office of Grants Monitoring and Administration or downloading the information from the HUD website at www.hud.gov.

The regulations for CDBD are located at 24 CFR Part 570:
Part 570 – Community Development Block Grants

Subpart A – General Provisions

Section	Title
570.1	Purpose and Primary Objective
570.2	Removed
570.3	Definitions
570.4	Allocations of Funds
570.5	Waivers

Subpart C – Eligible Activities

Section	Title
570.200	General Policies
570.201	Basic eligible activities
570.202	Eligible rehabilitation and preservation activities
570.203	Special economic development activities
570.204	Special activities by Community-Based Development Organizations (CBDO's)
570.205	Eligible planning, urban environmental design and policy-planning-management-capacity building activities
570.206	Program administration costs
570.207	Ineligible activities
570.208	Criteria for national objectives
570.209	Guidelines for evaluating and selecting economic development projects

The regulations for HOME are located at 24 CFR Part 92:
Home Investment Partnerships Program

Section	Title
SUBPART A - GENERAL	
92.1	Overview
92.2	Definitions
92.4	Waivers and Suspensions of Requirements for Disaster Areas

SUBPART B – ALLOCATIONS FORMULA

92.50 Formula Allocations
92.60 Allocation Amounts for Insular Areas
92.61 Program Description
92.62 Review of Program Description and Certifications
92.63 Amendments to Program Description
92.64 Applicability of Requirements to Insular Areas
92.65 Funding Sanctions
92.66 Reallocations

SUBPART C – CONSORTIA; DESIGNATION AND REVOCATION OF DESIGNATION AS A PARTICIPATING JURISDICTION

92.101 Consortia
92.102 Participation Threshold Amount
92.103 Notification of Intent to Participate
92.104 Submission of a Consolidated Plan
92.105 Designation as a Participating Jurisdiction
92.106 Continuous Designation as a Participating Jurisdiction
92.107 Revocation of Designation as a Participating Jurisdiction

SUBPART D – SUBMISSION REQUIREMENTS

92.150 Submission Requirements

SUBPART E – PROGRAM REQUIREMENTS

92.200 Private-Public Partnership
92.201 Distribution of Assistance
92.202 Site and Neighborhood Standards
92.203 Income Determinations
92.204 Applicability of Requirements to Entities that Receive a Reallocation of HOME Funds, other than Participating Jurisdictions
92.205 Eligible Activities: General
92.206 Eligible Project Costs
92.207 Eligible Administrative and Planning Costs
92.208 Eligible Community Housing Development Organization (CHDO) Operating Expense and Capacity Building Costs
92.209 Tenant-Based Rental Assistance: Eligible Costs and Requirements

Lead Based Paint Regulations
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
24 CFR Parts 35, 91, 92, 200, 203, 206, 280, 291, 511, 570, 572, 573, 574, 576, 582, 583, 585, 761, 881, 882, 883, 886, 891, 901, 906, 941, 965, 968, 670, 982, 983, 1000, 1003, and 1005
Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance.

AGENCY: Office of the Secretary – Office of Lead Hazard Control, HUD.

ACTION: Final rule.

SUMMARY: The purpose of this rule is to ensure that housing receiving Federal assistance and federally owned housing that is to be sold does not pose lead-based paint hazards to young children. It implements sections 1012 and 1013 of the Residential Lead-Based Paint Hazard Reduction Act of 1992, which is Title X of the Housing and Community Development Act of 1992.
The requirements of this rule are based on the practical experience of cities, states and others who have been controlling lead-based paint hazards in low-income privately-owned housing and public housing through HUD assistance. It also reflects the results of new scientific and technological research and innovation on the sources, effects, costs, and methods of evaluating and controlling lead hazards. With today's action, HUD's lead-based paint requirements for all Federal programs are now consolidated in one part of title 24 of the Code of Federal Regulations.

DATES: Effective Dates: Section 35.140 is effective on November 15, 1999. All other provisions of the rule are effective on September 15, 2000.

FOR FURTHER INFORMATION CONTACT: For questions on this rule, call (202) 755-1785, ext. 104 (this is not a toll-free number) or e-mail your inquiry to lead regulations@hud.gov. For lead-based paint program information, contact the Office of Lead Hazard Control, Department of Housing and Urban Development, 451 7th Street, SW, Room B-133, Washington, DC 20410-0500. For legal questions, contact the Office of General Counsel, Room 9262, Department of Housing and Urban Development. Hearing and speech-impaired persons may access the above telephone number via TTY by calling the toll-free Federal Information Relay Service at 1-800-877-8339.

Subpart A – Disclosure of Known Lead-Based Paint Hazards upon Sale or Lease of Residential Property.
Subpart B – General Lead-Based Paint Requirements and Definitions for All Programs

- **a.** Definitions
- **b.** Exemptions
- **c.** Options
- **d.** Notice of Evaluation and Hazard Reduction Activities

- **e.** Lead Hazard Information Pamphlet
- **f.** Use of Paint Containing Lead
- **g.** Prohibited Methods of Paint Removal
- **h.** Compliance with Other, State, Tribal, and Local Laws
- **i.** Minimum Requirements
- **j.** Waivers
- **k.** Prior Evaluation or Hazard Reduction
- **l.** Enforcement
- **m.** Records

Subpart C – Disposition of Residential Property Owned by Federal Agency Other Than HUD
Subpart D – Project-Based Assistance Provided by a Federal Agency Other than HUD
Subpart E - Reserved
Subpart F – HUD-Owned Single Family Property
Subpart G – Multifamily Mortgage Insurance
Subpart H – Project – Based Rental Assistance
Subpart I – HUD – Owned and Mortgagee-in-Possession Multifamily Property
Subpart J – Rehabilitation
Subpart K – Acquisition, Leasing, Support Services, or Operation
Subpart L - Public Housing Programs
Subpart M – Tenant-Based Assistance
Subpart N-Q – Reserved
Subpart R – Methods and Standards for Lead-Based Paint Hazard Evaluation and Reduction Activities

a. Standards
b. Adequacy of Dust-Lead Standards
c. Summary Notice Formats
d. Interim Controls
e. Standard Treatments
f. Clearance
g. Occupant Protection and Worksite Preparation
h. Safe Work Practices
i. Ongoing Lead-Based Paint Maintenance and Reevaluation