

CITY OF SAN ANTONIO
Neighborhood Stabilization Program Guidelines

Prepared By:
City of San Antonio
Office of Grants Monitoring and Administration

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Funding

Introduction

As a result of the enactment of House Resolution (HR) 3221 by Congress, the U.S. Department of Housing and Urban Development (HUD) awarded more than \$3.9 billion of funds to states and communities across the country to address the nation's abandoned and foreclosed homes crisis through the Neighborhood Stabilization Program (NSP). The City of San Antonio received an NSP allocation of \$8,635,899. HUD allocated funds based on foreclosures, subprime loans, defaults, delinquencies and vacancy rates, with the areas of greatest need receiving funding. The funds may be used to improve neighborhoods by purchasing and redeveloping abandoned and foreclosed properties, establishing land banks and demolishing blighted structures. For more information, visit:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>.

The Neighborhood Stabilization Program (NSP) for City of San Antonio (hereafter referred to as the "City") is authorized by the Housing and Economic Recovery Act ("HERA") (Public Law 110-289), which was signed into law by President Bush on July 30, 2008. Originally introduced as HR 3221, HERA Division B, Title III, establishes the NSP grant under the Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes heading. The NSP is administered by the Department of Housing and Urban Development ("HUD") and is considered a special Community Development Block Grant ("CDBG") allocation. CDBG allocations for the City are administered by the Department of Grants Monitoring and Administration (GMA). The City is expected to receive \$8,635,899 for the 2009 Program Year, contingent upon application approval by HUD.

This document serves as the policies and procedures established by the City of San Antonio for its allocation of NSP Funds. NSP funds may be used to provide or improve homes that will be occupied by households whose incomes do not exceed 120% of median income for the area. Twenty-five percent (25%) of all NSP Funds allocated to the City must be used to purchase and rehabilitate homes for households whose incomes do not exceed 50% of area median income. Each home assisted with NSP program funds must remain affordable to low, moderate and middle income households "to the maximum extent practicable and for the longest feasible term".

Federal Regulations

Award recipients implementing the City of San Antonio's NSP must follow the Community Development Block Grant (CDBG) Program rules and regulations, unless stated otherwise in the October 6, 2008 Federal Register Notice regarding Title III of Division B of the Housing and Economic Recovery Act (HERA) of 2008, which is posted on <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsnotice.pdf>.

Each activity funded under the NSP must meet a CDBG National Objective as stated in Title I of the Housing and Community Development Act of 1974. All activities and projects must meet the

national objective of benefiting low and moderate income persons; however, for the purposes of NSP funds only, HUD has created a new income category of “middle income” which is for households between 80 and 120% of the area median income.

Eligible uses for NSP funds are as follows:

- to buy foreclosed upon homes;
- to buy land and property;
- to demolish or rehabilitate abandoned properties; or
- to offer downpayment and closing cost assistance to low and moderate income homebuyers; and,
- to create land banks to assemble, temporarily manage, and dispose of vacant land for eligible outcomes.

Below are examples of how funds can be used to meet the national objective:

Low-Moderate-Middle-Income - Housing Activities (LMMH): Providing or improving permanent residential structures that will be occupied by a household whose income is at or below 120% of area median.

- Acquisition and rehabilitation of houses for homeownership
- Acquisition and rehabilitation of houses for rental use
- Construction of housing units for homeownership or rental
- Homeownership Assistance such as:
 - Downpayment assistance
 - Settlement costs
 - Lease to Own Programs

Low-Moderate-Middle-Income – Area Benefit (LMMA): Benefiting all the residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of area median income.

- Acquisition and demolition of abandoned or foreclosed upon structures
- Demolition of blighted structures

Low-Moderate-Middle-Income - Limited Clientele Activities (LMMC): Serving a limited clientele whose incomes are at or below 120% of area median.

- Housing counseling for prospective purchasers/tenants
- Public facilities such as emergency shelters or transitional housing facilities

The City has chosen to restrict activities to the Low-Moderate-Middle-Income - Housing Activities (LMMH) and Low-Moderate-Middle-Income - Limited Clientele Activities (LMMC).

Program Administration

Memorandum of Understanding and Subrecipient Agreements

The City of San Antonio will execute a Memorandum of Understanding (MOU) with eligible non-profit and for-profit organizations meeting at least the minimum requirements of a capacity review. Subrecipient agreements and/or Loan agreements containing the minimum requirements found at CFR 570.503 are required for all multi-family and rental property projects. The City of San Antonio has the responsibility of complying with federal environmental review regulations (see “Environmental Review” for more information).

Program Period

As required by HR 3221, the NSP funds must be committed by the City of San Antonio and obligated within 18 months of the issuance of a grant agreement by HUD. The City of San Antonio executed the NSP grant agreement with HUD in March 15, 2009. As a result, the grant period will begin on April 1, 2009, the work completion period ending on March 31, 2013, the drawdown deadline of April 30, 2013 and the status report deadline of May 31, 2013.

Grant Amendments

An amendment to the City of San Antonio’s NSP grant agreement is required if a new target area or activity is added.

Obligation and Disbursement of NSP Funds

The City of San Antonio must obligate all NSP funds by June 30, 2010. To do so, NSP Housing Partners must submit completed NSP Set-up and Cost Adjustment Forms (up to five sites per sheet) to the Office of Grants Monitoring and Administration (GMA) on or before June 30, 2010 for every site address that will be acquired, rehabilitated, demolished, redeveloped (new construction); and/or for any household provided homeowner assistance with NSP funds (check all that apply). A copy of the submitted form must be retained by the NSP Housing Partner and/or subrecipient. NOTE: If you obligate funds for a particular site address, by submitting one of the forms listed above, but later want to obligate those funds to a different site address, please clearly note your intentions and both site addresses on the form.

At the end of the sixth month of the grant period (on or about September 30, 2009) GMA will review the NSP fund obligations. At that time, any NSP eligible use category that does not have at least 25 percent the budget amount obligated may be subject to a budget adjustment. At the end of the 12th month of the grant period (on or about March 31, 2010), GMA will again review the NSP obligations. At that time, any NSP eligible use category that does not have at least 75 percent of the budgeted amount obligated will have unobligated fund reallocated. By the end of the 13th month, the City of San Antonio expects all NSP funds to be 80 percent obligated, by the end of the 14th month to have 90 percent obligated and by the end of the 15th month have 100 percent of the funds obligated. In addition, the City of San Antonio will ensure that all NSP funds are expended during the four-year grant period.

The NSP Setup and Cost Adjustment Form and the NSP Request for Payment Form will be available on <http://www.sanantonio.gov/hcd> under “NSP”.

General Administration and Planning Activities

NSP funds will not be used to pay NSP Housing Partner and Subrecipient administrative costs.

Product Delivery Cost (Soft Costs)

Product delivery costs are eligible as part of each completed acquisition and rehabilitation activity in an amount not to exceed 5% of the combined cost of acquisition and rehabilitation activity. To be eligible activity delivery costs, the activity being “delivered” must be NSP eligible.

Developer’s Fees

NSP funds will not be used to pay developer’s fees.

Monitoring Program Performance and Compliance

The City must constantly monitor performance to ensure that time schedules are being met, projected milestones are being accomplished, and other performance goals are being achieved in accordance with the approved application. In addition, all activities must be conducted in compliance with a host of federal and state requirements. Problems, delays, or adverse conditions that will affect the the City’s ability to meet its program objectives or its time schedules should be reported to GMA on the appropriate section of the NSP Quarterly Report form or at any other time, as appropriate.

In addition to technical assistance, GMA will, at appropriate times during program activities, review Housing Partners’ and Subrecipients’ records to ensure that all applicable state and federal requirements are being met. GMA's emphasis will be on preventing and correcting problems before they develop into serious obstacles to program implementation.

Reporting

NSP Housing Partners and Subrecipients must provide quarterly reports to GMA regarding program accomplishments and expenditures. Reporting will be required by site address. GMA will provide the appropriate reporting forms to award recipients.

Program Income

The U.S. Department of Housing and Urban Development recently announced that the NSP program income requirements as previously announced are expected to be modified. Therefore, GMA will provide program income guidelines at a later date. However, NSP Housing Partners and Subrecipients will be required to expend NSP program income dollars as quickly as possible.

Income Eligibility

The NSP includes two low and moderate income requirements, which are outlined in the October 6, 2008 Federal Register Notice regarding the HERA of 2008. The HERA does not permit using the national objectives of Prevention or elimination of Slum and Blight, or addressing Urgent need using NSP funds. All funds, excluding administration, must meet the LMMI national objective.

An NSP activity meets the LMMI National Objective if it:

- Provides/improves housing that will be occupied by a household (owner or renter) at or below 120% of AMI (LMMH);
- Serves an area in which 51% of residents have income at or below 120% of AMI (LMMI); and,
- For Land Banking, the subsequent reuse meets LMMA requirements.

Income Targeting

All NSP-assisted activities must also meet a NSP national objective and the income targeting requirements. Beneficiaries of the funds must have income levels at or below 120% of area median income, with at least 25% of each award for purchase/redevelopment of abandoned/foreclosed residential properties to benefit individuals or families with incomes at or below 50% of area median income

Determining/Documenting National Objective Compliance

Any of the three definitions of Income definition found at 24 CFR 570.208 may be selected (except when using Area Benefit), but the selected definition must be used consistently throughout the program. For area benefit HUD census tract data is required, or income surveys using sound methodology with appropriate LMMI levels.

The NSP regulation does not dictate third party verification of income, thus the use of verifiable self-certification of income is permitted. However source documentation to ensure eligibility (copies of paystubs, tax returns, bank statements) is required. At a minimum, the HUD Technical Guide requirements for determining income eligibility must be met. The HUD Technical Guide for Determining Income may be found at the following link:

<http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>

Eligible NSP Housing Partners and Subrecipients: City-designated Community Housing Development Organizations (“CHDOs”), non-profit organizations, for-profit organizations, developers, Departments within the City of San Antonio’s Municipal government.

Eligible Beneficiaries: All individuals and families assisted using NSP funds shall have incomes which do not exceed one hundred and twenty percent (120%) of area median income, adjusted for family size. This category of incomes is termed by HUD as “low-, moderate-, and middle-income,” and is measured as 2.4 times the current Section 8 income limit for households below 50% of area median income, adjusted for family size.

Not less than twenty-five percent (25%) of NSP funds allocated shall be utilized to provide eligible assistance to individuals and families whose incomes do not exceed fifty percent (50%) of area median income, adjusted for family size. In multi-family developments, the percentage of very low-income units (those units whose tenant’s income is <50% of area median income) must be based on the pro rata percentage of very low-income units to total units in the development.

FY 2008 Income Limits for 50% of HUD Area Median Income

<u>1 person household</u>	<u>2 person household</u>	<u>3 person household</u>	<u>4 person household</u>	<u>5 person household</u>	<u>6 person household</u>	<u>7 person household</u>	<u>8 person household</u>
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19,150.00 21,900.00 24,600.00 27,350.00 29,550.00 31,750.00 33,900.00 36,100.00

FY 2008 Income Limits for 120% of HUD Area Median Income

<u>1 person household</u>	<u>2 person household</u>	<u>3 person household</u>	<u>4 person household</u>	<u>5 person household</u>	<u>6 person household</u>	<u>7 person household</u>	<u>8 person household</u>
45,950.00	52,500.00	59,100.00	65,650.00	70,900.00	76,150.00	81,400.00	86,650.00

ELIGIBLE ACTIVITIES

Under the City of San Antonio’s plan, NSP funds can be used to:

- Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans. Financing mechanisms could also include first mortgages, bridge loans, and direct homeownership assistance, such as down-payment assistance programs;
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties; and,
- Redevelop demolished or vacant properties.

CLEARANCE (REMOVAL OF BLIGHT)

Activity Type: NSP Eligible Use (D) Demolish Blighted Structures

CDBG Eligible Activity: 24 CFR 570.201(d) Clearance of blighted structures only

National Objective: Benefits areas with low, moderate and middle-income persons as defined in the NSP Notice (\leq 120% of area median income) (LMMA). The demolition of blighted structures (where no acquisition of property occurs) is also eligible with no required reuse in areas with at least a 51% concentration of LMMI households.

The amount of assistance provided must be reasonable, and justifiable by the Housing Partner. Housing Partners are required to be efficient in the use of NSP funds in order to adequately assist those most in need. NSP Housing Partners and Subrecipients may only acquire property through voluntary acquisition. A willing sale form must be signed to document that the use of eminent domain was not involved.

Activity Description:

This activity, when funded exclusive of other eligible activities, is anticipated to be used on a limited basis to address urbanized areas of greatest need where NSP Housing Partners and Subrecipients can prove that blighted structures, as defined herein, are affecting property values

in the area. This activity will allow NSP Housing Partners and Subrecipients to remove dangerous structures that pose a threat to human health, safety, and public welfare and allow for the future private redevelopment of the property. This activity will not be utilized to target the 25% requirement for 50% AMI.

Demolition of a structure will only be allowed if the appraised value of the structure is less than 50% of the total appraised value of the property (lot and structure) which has major structural conditions that were either inadequate original construction, or has failing foundation, floor, wall, ceiling, roof, and exterior systems. The City of San Antonio does not expect to demolish any residential structures that do not fall under the category of substandard property as defined herein.

Specific Activity Requirements: Housing Partners/Subrecipients must demonstrate other funding sources are available to pay the cost of constructing a new home on the site.

- The demolition of structures which are not blighted is prohibited.
- Documentation must be maintained on the purchase and resale amounts of each property and the sources and uses of funds for each activity.
- Appraisals are required on all acquisitions using NSP funds, and must be completed within 60 days prior to an offer made on the property. This requirement applies to the purchase of foreclosed/abandoned homes, residential properties and voluntary acquisitions.
- Foreclosed homes shall be purchased at a discount of at least 15% from the current market appraised value. The appraisal will be used to determine the purchase discount.
- Properties acquired with NSP funds will not be demolished unless City of San Antonio's DSDB declares them dangerous.
- Properties, which are considered substandard and not feasible for rehabilitation, will be purchased with NSP funds only if other non-city funds are committed to complete the renovation of the property.
- Residential structures will not be demolished that do not fall under the category of substandard property as defined herein.

When demolition activities are approved, GMA will require Housing Partners and Subrecipients consider the efficient (green) use of resources, including the possibility of deconstruction. When using deconstruction techniques, the value of reusing resources must be weighed against the added costs and concerns about environmental hazards such as lead-based paint that may be present on the building components.

ACQUISITION OF ABANDONED AND FORECLOSED PROPERTY

Activity Type: NSP Eligible Use (B) Purchase and rehabilitate homes and residential properties that have been abandon or foreclosed upon, in order to sell, rent or redevelop such homes and properties.

CDBG Eligible Activities: 24 CFR 570.201(a) Acquisition, (b) Disposition

National Objective: Benefit to low, moderate and middle income persons as defined in the NSP Notice (\leq 120% of area median income) (LMMH).

Activity Description: This activity will provide homeownership and rental opportunities to households with incomes at or below 120% of the area median income, and the improvement and reuse of vacant and abandoned properties. This activity may include:

- acquisition/rehabilitation/rental or resale, where the property is purchased by the City of San Antonio or NSP Housing Partner, rehabilitated to meet the program standards and resold or rented to an income eligible household;
- direct purchase by an income eligible household, with NSP assistance (following an inspection of the property), which is then rehabilitated, as necessary, to meet the appropriate rehabilitation standards; or
- demolition of a blighted house, with a new house built on the site and sold or rented to an income qualified household. Such foreclosed properties must be purchased at a discount to ensure purchasers are paying below-market value for the property. Appraisals will be required for the purposes of determining the statutory purchase discount. Abandoned or foreclosed properties may be purchased to benefit households earning 120% AMI or below.

All properties acquired using NSP funds shall be appraised in conformity with the appraisal requirements of the Uniform Relocation Act (URA) at 49 CFR 24.103 by a licensed appraiser within sixty (60) days prior to an offer to purchase the property. All residential property acquired using NSP funds shall be discounted by at least 15% from the current market appraised value of the property.

In cases where abandoned substandard lots are not build-able, the city will purchase and transfer ownership of the lots to adjacent homeowners so they will be maintained and placed back on the tax roles. In the case of abandoned or foreclosed multi-family projects, NSP funds may be used to help complete the project. A proportionate share of the units will be required to be affordable to persons at or below the 120% of the Median Family Income for San Antonio for a period of not less than ten years. Multi-family projects developed in partnership with the San Antonio Housing Authority that contain Public Housing set-aside units, may be assisted with NSP funds. All multi-family projects assisted with NSP funds must be consistent with HUD maximum unit subsidy requirements.

In every case, a vacant and abandoned property is purchased, and the final outcome is homeownership or rental by an income eligible household. Each household benefitting from homeownership through this activity will be required to attend eight hours of homebuyer education from a HUD approved housing counseling agency.

Sale of residential properties acquired or acquired/rehabilitated using NSP funds: All NSP-assisted sales shall be in an amount **equal to or less** than the cost to acquire and redevelopment or rehabilitate such home or property to a decent, safe, and habitable condition. Costs associated

with boarding, lawn care, or maintenance of the property may not be included in the total cost for purposes of calculating the required reduced sale price. NO profit can be earned on the sale of an NSP-assisted property to an individual as a primary residence. Any profit realized from the sale of an NSP-assisted multi-family property will be used to repay the NSP loan.

Transitional Housing

For transitional housing, units will be purchased, renovated, and held by a local housing non-profit to provide temporary housing for families that have become homeless due to loss of income. The City's Department of Community Initiatives will identify and refer families to a housing non-profit program partner. Temporary housing will be provided to families for up to one year. While in transitional housing, families will receive support services through the City's Department of Community Initiatives.

Specific Activity Requirements:

- Properties shall be purchased at a discount of at least 15% from the current market appraised value. The appraisal will be used to determine the purchase discount
- Appraisals are required on all acquisitions using NSP funds, including the purchase of foreclosed/abandoned homes, residential properties and voluntary acquisitions.
- Tenure will principally be homeownership; however, single and multifamily rental properties are anticipated to meet the HUD requirement for 25% of NSP used to fund activities benefiting households at 50% AMI and below.
- Compliance with the HOME Program property standards and affordability requirements for both rental and homeownership activities.
- Each NSP Housing Partners and Subrecipients shall implement written procedures for establishing an offer to purchase property using NSP funds with such procedures applied consistently to all NSP purchases. Such methodology must result in a discount equal to the total carrying costs anticipated to be incurred by the seller if the property is not purchased using NSP funds.
- Carrying costs shall include but not be limited to: taxes, insurance, maintenance, marketing, overhead, and interest.
- Each NSP Housing Partner and Subrecipient must maintain sufficient documentation on the acquisition and resale of each property to enable GMA and HUD to determine compliance with the requirement to sell each property at an amount equal to or less than the cost to acquire and redevelop the property.
- Section 2301(d)(1) of HERA prevails over section 301 of the Uniform Relocation Act related to NSP-assisted acquisition of foreclosed upon homes or residential properties.
- **ALL** NSP-assisted property acquisitions must be voluntary acquisitions and not acquired through eminent domain proceedings.
- Properties shall not be purchased at a price exceeding \$160,000 per single family residence (land and structure).
- Temporary housing will be provided to families for up to one year.
- Transitional housing units must remain transitional units for ten years.

Resale of Acquired/Rehabilitated Properties

- The resale price must not exceed the costs incurred by the City of San Antonio or the NSP Housing Partner to purchase and develop the unit.
- The amount of assistance provided must be reasonable, and justifiable by the NSP Housing Partner.
- Housing Partners are required to be efficient in the use of NSP funds in order to adequately assist those most in need.
- All homes that are resold or rented must meet the Residential Rehabilitation Standards, or other standards as outlined in our Consolidated Plan amendment and the application packet.
- When properties are redeveloped or rehabilitated, an effort must be made to make the units more accessible and energy efficient, and that green building practices are used, where possible.

Affordability:

1. For homeownership activities, housing cost burden, which is the homebuyers costs for principal, interest, taxes and insurance (PITI), shall not exceed 30% of the household’s gross monthly income.
2. Long-term affordability requirements of the HOME Investment Partnerships Program requirements found at 24 CFR 92.254 will apply. The long-term affordability period is based on the dollar amount of final direct subsidy (i.e., the amount of the NSP assistance that enabled the homebuyer to purchase the dwelling unit) in the project and specific regulations for addressing the issues of the sale of a property prior to the end of the long-term affordability period, known as recapture apply. Resale provisions will not be an allowed affordability mechanism under the City of San Antonio’s NSP, with the exception of Habitat for Humanity projects.
 - a. Recapture (sometimes called repayment) is a mechanism to recover all or a portion of the direct assistance if the buyer sells the house during the period of long-term affordability. Direct assistance is determined by the amount of direct assistance (downpayment assistance, closing cost assistance, mortgage financing, or interest rate buy down, etc.) that enabled the buyer to purchase the unit. Under this mechanism the homeowner is at liberty to sell the unit to any buyer, at any price the market will bear. Recapture involves the repayment of all or a portion of the assistance provided and includes a formula for shared net proceeds.

The long-term affordability period is based on the amount of NSP assistance.

Less than \$15,000	5 years affordability period
\$15,000 to \$40,000	10 years affordability period
More than \$40,000	15 years affordability period

The long-term affordability regulation is enforced through the use of a mortgage lien recorded on the property for the length of that period.

REHABILITATION ACTIVITIES

Activity Type: Rehabilitate property to provide housing opportunities for households earning less than 120% of Area Median Income. NSP Eligible Use (B) Rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties.

CDBG Eligible Activities: 24 CFR 570.202 Rehabilitation, Reconstruction and New Construction

National Objective: Benefit to low, moderate and middle income persons as defined in the NSP Notice (\leq 120% of area median income). (LMMH)

Activity Description: This activity will rehabilitate properties to satisfy State and Local Codes. The purpose of the financial assistance is to provide decent, safe, and sanitary housing for low to middle income residents by the rehabilitation and/or improvement of existing structures to a condition that brings the structure into compliance with State and Local Code to ensure all repairs and improvements will contribute to the long term structurally sound housing stock in the area.

Demolition of a structure will only be allowed if the appraised value of the structure is less than 50% of the total appraised value of the property (lot and structure) which has major structural conditions that were either inadequate original construction, or has failing foundation, floor, wall, ceiling, roof, and exterior systems.

Properties must be rehabilitated and made available to eligible households within 24 months of acquisition. NSP funds will be required to be repaid to the City of San Antonio within 24 months of acquisition if an eligible household has not purchased the residence within that timeframe.

The NSP program will not be used for emergency rehabilitation. In the event that minor and or cosmetic renovations are needed to an acquired property, such renovations will be permitted. A facility is financially feasible if the rehabilitation cost is less than 60% of the after rehabilitation appraised value or a maximum of \$25,000.

In the case of abandoned or foreclosed multi-family projects, NSP funds may be used to help complete the project. A proportionate share of the units will be required to be affordable to persons at or below the 120% of the Median Family Income for San Antonio for a period of not less than ten years. Multi-family projects developed in partnership with the San Antonio Housing Authority that contain Public Housing set-aside units, may be assisted with NSP funds. All multi-family projects assisted with NSP funds must be consistent with HUD maximum unit subsidy requirements.

Transitional Housing

For transitional housing, units will be purchased, renovated, and held by a local housing non-profit to provide temporary housing for families that have become homeless due to loss of income. The City's Department of Community Initiatives will identify and refer families to a housing non-profit program partner. Temporary housing will be provided to families for up to

one year. While in transitional housing, families will receive support services through the City's Department of Community Initiatives.

Multi-Family Rehabilitation:

Rehabilitation of multi-family units that require an infusion of funds will receive a direct allocation of NSP funds. NSP funds will be placed in an escrow account with disbursement(s) made only with the approval of GMA.

Specific Activity Requirements:

- Permanent financing is available for multifamily properties targeting households at or below 50% AMI
- Tenure will principally be homeownership; however, single and multifamily rental properties are anticipated to meet the HUD requirement for 25% of NSP used to fund activities benefiting households at 50% AMI and below.
- Compliance with the HOME Program property standards and affordability requirements for both rental and owner-occupied units.
- Temporary housing will be provided to families for up to one year.
- Transitional housing units must remain transitional units for ten years.

FINANCING MECHANISMS

Activity Type: NSP Eligible Use (A) Establish finance mechanisms for purchase and redevelopment of abandoned homes, foreclosed upon homes, and rehabilitated or reconstructed residential properties.

CDBG Eligible Activities: 24 CFR 570.206 Activity delivery costs; 24 CFR 570.201 (a) Acquisition, (b) Disposition, (i) Relocation, (n) Homeownership Assistance; 24 CFR 570.202 Rehabilitation.

National Objective: Benefits low, moderate and middle-income persons as defined in the NSP Notice ($\leq 120\%$ of area median income). (LMMH)

Activity Description:

This activity will provide provide affordable homeownership opportunities by providing financing mechanisms to assist homebuyers to purchase a foreclosed property at a discount and/or rehabilitate the property. Appraisals will be required for the purposes of determining the 15% purchase discount. The acquisition of foreclosed properties may be financed if the acquisition of the property is for not more than 85% of the approved appraisal fair market value of the property at the time of foreclosure. The acquisition of abandoned and foreclosed upon property will only be funded if the property as been vacant for at least 90 days. In the case of abandoned property, the seller must not have made payment on the mortgage or taxes for at least 90 days. The subsequent acquisition or conversion of eligible rehabilitated or redeveloped property activities may also be considered a financing mechanism.

The eligible types of homeownership assistance are as follows:

- *Downpayment and closing cost assistance:* The NSP Downpayment Assistance Program will be available to households at or below 120% AMI and the City's HOME funded downpayment assistance will be made available to families not eligible to participate in the NSP. All program partnerships will be subject to income verification to document program compliance. Applicants with earnings too high for NSP assistance will be referred to local mortgage lenders for assistance. A combination of downpayment assistance and soft second loans will be made to families as needed.
- *Individual Development Accounts (IDA):* Through the Individual Development Program, the City expects to provide homeownership opportunities to at least 30 families by addressing the needs of 10 families in each year of the NSP program. Each Individual Development Account will be capitalized with \$10,000 of NSP funds which will leverage \$10,000 of other funds for the purpose of downpayment assistance. This program will provide assistance to families below 80% of the AMI.
- *Interest rate buy-down:* For fixed-rate first mortgages for eligible purchasers of residential properties acquired, acquired/rehabilitated, newly constructed, or reconstructed using NSP funds, for the purpose of ensuring the purchase is affordable to the eligible buyer.) interest rate buy-down of the eligible homebuyer's first mortgage to a rate of 250 basis points below current market, non-subprime interest rates.
- *Lease Purchase (Lease to own):* Families with earnings at or below 80% AMI will be given the option to participate in the Lease Purchase Program. Each client will have up to five years to convert into homeownership. Clients assisted in year four will not be expected to convert into homeownership until year nine. A portion of the rental payment will be used to support maintenance and program administration. Proceeds from the sale will be used to support the next year's property acquisition for the lease purchase program. This program will be used to support families at or below 80% AMI. The ultimate terms of the long-term affordability restrictions must be clearly disclosed to residents at the time that they choose to execute the lease agreement.
- *Soft Second Mortgage Loans:* Soft Second mortgage loans will be made to the homebuyer in an amount not to exceed \$35,000 and at an interest rate not to exceed 3%. The loan will be subordinate to the primary mortgage loan. If necessary, the soft second mortgage may be deferred or forgiven (in whole or in part) over a period of time. A combination of downpayment assistance and soft second loans will be made to families as needed. Funding for soft-second loans will be made available on a first-come, first-served basis. Reservations/encumbrances will be made through GMA at the time of purchase and held for four (4) months. Encumbrances can be extended if closing is scheduled or reapplied for. The following Loan Terms are acceptable under the City's NSP:

NSP Housing Partners and Subrecipients must provide an outline of their mortgage underwriting criteria. The criteria must be applied fairly to all eligible households assisted with NSP funds.

The following loan structures are allowed contingent upon eligible homebuyer continuing to own, occupy as principal residence, and maintain the NSP-assisted home for the full applicable affordability period:

- **50% of AMI and below** - Households earning less than 50% AMI may obtain up to 100% mortgage financing to purchase and rehabilitate a foreclosed or abandoned single family house which will be the primary residence within 30 days of closing the mortgage loan. The mortgage loans will be for 30 years with a 0% interest rate and repayment obligations will begin immediately. Closing costs will be financed with the loan proceeds.
- **51% to 80% AMI** - Homebuyers who qualify as 51-80% AMI will be eligible for NSP eligible rehabilitation costs, down payment assistance, reasonable closing costs, principal reductions, and gap financing needed to qualify for private mortgage financing. Assistance will be in the form of a deferred forgivable loan at 0-3% interest and a term based upon the amount of funds provided in accordance with HUD affordability requirements.
- **81% to 120% AMI** - Homebuyers who qualify as 81-120% AMI will be eligible for NSP eligible rehabilitation costs, down payment assistance, reasonable closing costs, principal reductions, and gap financing needed to qualify for private mortgage financing. Assistance will be in the form of a low interest loan at 0-3% interest and a term based upon the amount of funds provided in accordance with the HUD affordability requirements.

Specific Activity Requirements:

- The mortgage loans will be for 30 years with a 0%-3% interest rate.
- Repayment obligations are allowed to be deferred for a period of time.
- Mortgage documents (Promissory Note and Deed of Trust) will be utilized to provide security for the repayment of the loan, registered against the property, with stated rights and remedies in the event of default. Again, recapture will be based on shared net proceeds as described above.
- Mortgage documents (Promissory Note, Deed of Trust and Perpetual Lien) will be utilized to provide security for the repayment of the loan, registered against the property, with stated rights and remedies in the event of default.
- First mortgages must be of a fixed interest rate and not exceed a 30 year term.
- All NSP assisted homebuyers will be required to complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

Mortgage underwriting criteria to determine the ability of the homebuyers to service the proposed debt will be supported by the homebuyers' income, creditworthiness, assets, and the quality and present value of the property in relation to the loan amount requested.

Resale/Recapture Provisions

If the buyer chooses to sell the home, move, or fails to maintain the NSP-assisted home, the buyer shall repay to the City of San Antonio the pro rata amount of the NSP assistance for the unexpired term of affordability. Regardless of the level of AMI, the loans are to be repaid at the time of resale of the property; refinance of the first lien; repayment of first lien or if the unit ceases to be the assisted homebuyer’s principal residence. The amount of recapture will be based upon the recapture provision at 24 CFR 92.254(a)(5)(ii) as follows:

1. Recapture of the amount of the NSP investment reduced on a prorata share based on the time the homeowner has owned and occupied the unit measured against the required affordability period. The recapture amount is subject to available shared net proceeds in the event of sale or foreclosure of the housing unit.

2. In the event of sale or foreclosure of the housing unit, if the shared net proceeds (i.e., the sales price minus closing costs; any other necessary transaction costs; and loan repayment, other than NSP funds) are in excess of the amount of the NSP investment that is subject to recapture, then the net proceeds may be divided proportionately between the City of San Antonio and the homeowner as set forth in the following mathematical formulas:

$\frac{\text{NSP investment}}{(\text{NSP investment} + \text{homeowner investment})} \times \text{net proceeds}$	= NSP amount to be recaptured
$\frac{\text{NSP investment}}{(\text{NSP investment} + \text{homeowner investment})} \times \text{net proceeds}$	= NSP amount to homeowner

Affordability:

- For homeownership activities, housing cost burden, which is the homebuyers costs for principal, interest, taxes and insurance (PITI), shall not exceed 30% of the household’s gross monthly income.
- Long-term affordability requirements of the HOME Investment Partnerships Program requirements found at 24 CFR 92.254 will apply. The long-term affordability period is based on the dollar amount of final direct subsidy (i.e., the amount of the NSP assistance that enabled the homebuyer to purchase the dwelling unit) in the project and specific regulations for addressing the issues of the sale of a property prior to the end of the long-term affordability period, known as recapture apply. Resale provisions will not be an allowed affordability mechanism under the City of San Antonio’s NSP, with the exception of Habitat for Humanity projects.
 - Recapture (sometimes called repayment) is a mechanism to recover all or a portion of the direct assistance if the buyer sells the house during the period of long-term affordability. Direct assistance is determined by the amount of direct assistance (downpayment assistance, closing cost assistance, mortgage financing, or interest rate buy down, etc.) that enabled the buyer to purchase the unit. Under this mechanism the homeowner is at liberty to sell the unit to any buyer, at any price the market will bear.

Recapture involves the repayment of all or a portion of the assistance provided and includes a formula for shared net proceeds.

The long-term affordability period is based on the amount of NSP assistance.

Less than \$15,000	5 years affordability period
\$15,000 to \$40,000	10 years affordability period
More than \$40,000	15 years affordability period

The long-term affordability regulation is enforced through the use of a mortgage lien recorded on the property for the length of that period.

REDEVELOPMENT (NEW CONSTRUCTION)

Activity Type: NSP eligible use (E) Redevelop Demolished or Vacant Properties

CDBG Eligible activities: 24 CFR 570.201(a) Acquisition, (b) Disposition, (c) Public Facilities, (e) Public Services, (i) Relocation, (n) Homeownership Assistance (restricted)

National Objective: Benefit to low, moderate and middle income persons as defined in the NSP Notice ($\leq 120\%$ of area median income). (LMMH)

Activity Description: Redevelopment of demolished or vacant, but previously improved properties will address areas of greatest need throughout the City wherever there are large amounts of demolished or vacant, but previously improved properties that are contributing to declining land values. **Funding priority will be given to the acquisition and rehabilitation of foreclosed upon multifamily rental properties that will assist the City's income targeting requirements** (25% requirement for 50% AMI).

Transitional Housing/Emergency Shelters

On a case-by-case basis, with GMA approval, NSP funds may be used for the construction of a new facility or rehabilitation of a vacant structure into emergency shelters for the homeless, transitional housing for the homeless, or domestic violence shelters. Emergency shelters and/or transitional housing and Domestic Violence shelters must meet all applicable program and code requirements. GMA will also require a justification of need for the facility and an explanation for how the facility will cover operating expenses on an on-going basis.

Tax Credits and Bond funded Multi-Family Projects

Rehabilitation and new construction (redevelopment) projects that require an infusion of funds will receive a direct allocation of NSP funds. NSP funds will be placed in an escrow account with disbursement(s) made with the approval of GMA.

For Rental Projects: Rental projects completed with NSP funds must be rented to households with incomes at or below 120% of the San Antonio median income adjusted for family size. The rents must be limited to not exceed the HOME rents for the period of affordability. Rents and incomes must be reverified annually during the period of affordability.

Financing mechanisms for rental projects are as follows:

- **30% and below AMI** - Grant/deferred forgivable loans for up to 100% financing for public housing units or projects/units serving households earning 30% and below AMI with terms to coincide with applicable period of affordability and with balloon provision for refinancing at end of applicable repayment term.
- **31% - 50% AMI** - 3-year redevelopment loans for up to 100% financing at 0% interest serving households earning 31-50% AMI with repayment terms to coincide with applicable period of affordability and with balloon provision for refinancing at end of applicable repayment term.
- **51% - 80% AMI** - 3-year redevelopment loans for up to 50% financing at 0-3% interest serving households earning 51-80% AMI with repayment terms to coincide with applicable period of affordability and with balloon provision for refinancing at end of applicable repayment term.
- **81% - 120% AMI** - 3-year redevelopment loans for up to 20% financing at 0-3% interest serving households earning 81-120% AMI with repayment terms to coincide with applicable period of affordability and with balloon provision for refinancing at end of applicable repayment term.

Affordability: Long-term affordability requirements of the HOME Investment Partnerships Program, found at 24 CFR 92.252 (a), (c), (e) and (f), will apply. The long-term affordability period for acquisition and rehabilitation of a foreclosed multi-family project is based on the NSP dollar amount per unit.

Less than \$15,000	5 years affordability period
\$15,000 to \$40,000	10 years affordability period
More than \$40,000	15 years affordability period

For Rental Redevelopment (New Construction) Projects: A minimum 20 year affordability period. The long-term affordability regulation is enforced through the use of a mortgage lien, deed restrictions, covenants running with the land, or other mechanisms recorded on the property for the length of that period.

Specific Activity Requirements:

- Affordable rents will be consistent with the HOME rents published annually by the U. S. Department of Housing and Urban Development (HUD).
- If a property is sold before the end of the contract period, NSP funds will be recaptured and returned to the City as program income.
- Permanent financing is available for multifamily properties targeting households at or below 50% AMI
- Compliance with the HOME Program property standards and affordability requirements for both rental and owner-occupied units.
- Temporary housing will be provided to families for up to one year.
- Transitional housing units must remain transitional units for ten years.

OTHER CONSIDERATIONS

Compliance Areas

The Housing and Economic Recovery Act, 2008 (HERA) authorized the HUD Secretary to specify alternative requirements to any provision under Title I of the Housing and Community Development Act of 1974, as amended, (the HCD Act) except for requirements related to fair housing, nondiscrimination, labor standards, and the environment (including lead-based paint). HUD and the City of San Antonio do not have authority to provide alternative requirements for the National Affordable Housing Act (NAHA) or for the Uniform Relocation Assistance Real Property Acquisition Policies Act of 1970 (URA). Unless the regulations describe how HERA has superseded one of their provisions, these statutes will apply as in the CDBG program.

One-for-One Replacement

HUD has issued, in conjunction with NSP regulations, an alternative requirement that NSP Housing Partners and Subrecipients will **NOT** be required to meet the requirements of 42 U.S.C. 5304(d), as implemented at 24 CFR 42.375, to provide one-for-one replacement of low- and moderate-income dwelling units demolished or converted in connection with activities assisted with NSP funds. Be reminded however, that properties acquired with NSP funds will not be demolished unless the City's Dangerous Structure Determination Board (DSDB) declares them to be dangerous.

Acquisition and Relocation

NSP - Acquisition and Relocation Resources are located on the web at <http://www.hud.gov/offices/cpd/library/relocation/nsp/index.cfm>. City of San Antonio NSP Housing Partners and Subrecipients may only acquire property through voluntary acquisition and may only acquire properties that have been vacant a minimum of 90 days and that have been abandoned or foreclosed. Relocation is not an eligible activity in the City of San Antonio's NSP.

A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

A property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law. To be eligible, foreclosed property must be vacant. Property occupied by tenants are generally not eligible unless the tenants were issued Move-In Notice (GUIDEFORM NOTICE TO PROSPECTIVE TENANT) prior to occupancy which states they will be displaced by the future acquisition of the property with federal funds (see HUD Handbook 1378 – Appendix 29).

Generally the real property acquisition regulation at 49 CFR Part 24, Uniform Relocation and Acquisition Act (URA) apply to the NSP program. Regulations for Voluntary Acquisition are located in Title 49 of the Code of Federal Regulations Part 24.101 (b) (1)-(5). HUD Handbook 1378 provides HUD policy and guidance on implementing the URA and 49 CFR Part 24 for

HUD funded programs and projects. The HUD handbook can be found at <http://www.hud.gov/offices/cpd/library/relocation/policyandguidance/handbook1378.cfm>. The appendices of HUD Handbook 1378 provide sample forms to implement the voluntary acquisition process.

However, the NSP Program requires that any acquisition of a foreclosed-upon home or residential property under NSP be at a discount from the current market-appraised value of the home or property and that such discount shall ensure that purchasers are paying below-market value for the home or property. An appraisal is required for the purposes of determining the San Antonio's required 15% purchase discount.

The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer. (See Appendix 19 of HUD Handbook 1378 for a URA Guide for Preparing an Appraisal Scope of Work and Appendix 20 for a sample Agreement for Appraisal Services in the HUD Handbook 1378.)

An appraisal must be done on each separate property purchased with NSP funds. Persons performing appraisals of NSP funded acquisitions of "foreclosed upon" properties must meet the appraisal qualifications of 49 CFR 24.103(d). All persons performing such valuations must be qualified to perform an appraisal, even if they are on staff. The regulations at 49 CFR 24.103(d)(2) only require contract "fee" appraisers to be state licensed or certified.

Adjustable Rate Mortgages: No adjustable rate mortgages can be used by persons acquiring houses assisted with these funds. Mortgages must be for a fixed rate for a minimum of 30 years.

Subprime Mortgages: No subprime mortgages can be used by persons acquiring houses assisted with these funds under the City's initiative.

Davis Bacon Labor Standards: Davis Bacon will be required for reconstruction/new construction for projects over \$2,000.

Eminent Domain: NSP funds can not be used in conjunction with properties acquired through eminent domain under the City's initiative.

Environmental Review: The environmental review process for NSP projects follows the existing guidance outlined at 24 CFR Part 58, Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities.

Housing Counseling: Each homebuyer assisted with these funds is required to receive and complete at least 8 hours of homebuying counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan. The counseling can be funded with these funds.

Reporting Requirements: The City/GMA is required to submit quarterly performance reports to HUD no later than thirty (30) days following the end of each quarter. Accordingly, all NSP

awardees will be required to submit performance information to GMA by established deadlines conducive for GMA to meet its reporting requirements. Performance information will include but not be limited to the following:

- 1) Project name
- 2) Project activity
- 3) Project location
- 4) National objective
- 5) Budgeted funds
- 6) Expended funds
- 7) Funding source
- 8) Total amount of any non-NSP funds
- 9) Numbers of properties and housing units assisted
- 10) Beginning and ending dates of activities
- 11) Numbers of low, moderate, and middle-income persons or households benefiting

Affirmatively Furthering Fair Housing: All awardees of NSP funds shall abide by all certifications to further fair housing. HUD has not waived any portion of federal Fair Housing regulations related to NSP.

Required Certifications: All NSP contracts/Loan Agreements will require the following certifications:

- 1) Affirmatively furthering fair housing
- 2) Anti-lobbying
- 3) Authority of jurisdiction
- 4) Consistency with State Consolidated Plan
- 5) Acquisition and relocation
- 6) Section 3
- 7) Citizen participation
- 8) Following a HUD-approved Consolidated Plan
- 9) Timely use of funds
- 10) All NSP-assisted persons and families will have incomes not exceeding 120% of area median income and no attempts will be made to recover CDBG funds by the assessment of any amount against properties owned and occupied by low, moderate, and middle-income persons
- 11) The jurisdiction has adopted and is enforcing policies on the prohibition of the use of excessive force
- 12) Compliance with anti-discrimination laws
- 13) Compliance with lead-based paint procedures
- 14) Compliance with all applicable laws

Contractor Selection and Construction Management

Housing Partners and Subrecipients shall develop plans for ensuring that adequate contractors are available in the program to ensure adequate competition. Housing Partners and Subrecipients

must also have procedures for recruiting MBE/WBE and Section 3-owned businesses into the program.

Ensuring the Quality of Work

A. Scope of work and work specifications: Work Write-Ups. Clearly written, well organized work write-ups must be prepared which precisely define the construction work to be undertaken to correct deficiencies and to meet the program's prescribed standards.

B. Following the appropriate standards: Housing Partners and Subrecipients must comply with applicable federal, state and local laws, rules and regulations governing the residential rehabilitation standards and testing and treatment of lead-based paint, including disclosures to residents/buyers

C. Lead-based paint requirements: Housing Partners and Subrecipients must follow all applicable state and local regulations, laws and policies, including the requirements of the current HUD regulations in effect regarding Lead-Based Paint (LBP) (24 CFR Part 35).

D. Inspections and payment to contractors: For all rehabilitation projects a thorough initial inspection of the project will be necessary to determine the scope of work that will need to be done and to develop an in-house cost estimate. An in-house cost estimate shall be developed by a qualified person(s) for all construction/demolition projects prior to putting the projects out to bid. The cost estimate shall be based on objective and factual sources such as data gathered from prior contract cost records, professional cost estimating manuals and/or price quotes from material suppliers. A copy of the in-house estimate shall be kept in the project case file.

All construction projects shall have interim inspections as necessary to ensure the smooth and timely flow of work and the quality of the work performed. An inspection of work shall be done prior to each payment to a contractor. Payments for rehabilitation work may only be made for specific work items, per the bid specification, that have been satisfactorily completed and inspected by the rehabilitation specialist and in accordance with the terms outlined in the contract. Specific work items shall be fully completed prior to payment. Payments for partially completed items are prohibited.

All construction/demolition projects shall have a final inspection. All punch list items shall be completed and inspected and lead-based paint clearance shall be obtained prior to final payment.

The screening of contractors

The Housing Partners and Subrecipients must identify and document the requirements that local contractors must meet in order to participate in the program. The requirements should be rigorous enough to screen out unqualified or unstable contractors but not so stringent as to prevent the participation of an adequate number of competent contractors. Housing Partners and Subrecipients must check the Federal Debarred contractor list. Contractors and sub-contractors must not be debarred from working on federally assisted projects. Checks may be made at

<http://epls.arnet.gov> . A copy of the certification must be maintained in the Housing Partner and Subrecipient NSP program files.

Civil Rights and Fair Housing

An overview of the fair housing policies that apply to NSP is located at <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/docs/summarythefacts.doc>. Every Housing Partner and Subrecipient must certify the act of affirmatively further fair housing in the NSP MOU or grant/loan agreement. Therefore, Housing Partner and Subrecipients must carry out the normal responsibilities to fulfill the certification to affirmatively further fair housing.

Federal Labor Standards and Related Acts

Federal Davis-Bacon Wage Rates apply to laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with NSP funds in contracts of \$2,000 or more, except the rehabilitation of residential property designed for residential use by fewer than 8 families.

Federal Davis-Bacon Coverage Chart

(Chart does not consider other non-federal public funds involved)

Financed Activity	Activity Covered?	Related Non-Federal Construction Covered?
Real Property Acquisition (land, pre-existing buildings, and other improvements)	N/R	No
Demolition (no construction on-site contemplated)	No	N/R
Demolition (to be followed by on-site construction)	Yes	No, if demolition done under separate contract by grantee (state, county, city, etc.) or its contractor before transfer of land to developer. Yes, if demolition contracted for by same entity (developer, contractor, etc.) doing private construction and will be carried out while contracting entity controls site.
Off-site Improvements (street work, storm sewer, and utility construction, etc.)	Yes	No, if off-site improvements are separately owned and the off-site work and on-site construction is provided for in separate construction contracts.

On-site Improvements (excavation/grading, storm drainage, utility or sewer work, paving/walks/stripping, site lighting, landscaping, etc.)	Yes	No, if on-site improvements are done under separate contract by grantee (state, county, city, etc.) or its contractor before transfer of land to developer. Yes, if improvements are designed and intended to serve building on the site; will be contracted for by same entity having building constructed; and will be carried out while contracting entity controls the site.
Cleaning During Construction	Yes	Yes
Cleaning After Construction to Prepare for Occupancy	No	No, if performed under separate contract.
Material Purchase	N/R	Yes, unless materials have an independent use.
Equipment, machinery, and Fixtures Purchase (as opposed to installation)	N/R	No, if purchased under separate contract.
Equipment, machinery, and Fixtures Installation (as opposed to, or in addition to, purchase)	Yes, if more than incidental amount of construction work involved in the installation *	Yes, if more than incidental amount of construction work involved in the installation*
Legal/Accounting Services	N/R	No, if obtained under a separate contract.
Architectural/Engineering Services	N/R	No, if obtained under a separate contract.
Construction Management	N/R	No, if obtained under a separate contract.
Tenant Allowance for Nonconstruction Expenses (furniture, business licenses, etc.)		No, if obtained under a separate contract.
Residential Downpayment Assistance or Closing Costs	N/R	No, if rehabilitation or construction is occurring on fewer than 8 families.

N/R – Not relevant because no construction activity is involved.

*Construction work involving installation is incidental if it is 13% or less of the total cost of the CDBG equipment; if it is more, a 4-part test applies.

Coordination with the State Historic Preservation Office

Most NSP-eligible activities will require some form of coordination with the State Historic Preservation Office (SHPO) to comply with Section 106 of the National Historic Preservation Act.

Retention of Records

Financial records supporting documentation for all transactions required by law, whether financial or programmatic and all other records pertinent to the NSP program must be maintained for 3 years from the date of closeout of the NSP. The only exception to this retention period is in the event of any litigation, claim or audit started before the expiration of the 3 year period. The records must be kept until all litigation, claims or audit findings involving the records have been resolved.

The City of San Antonio, the U.S. Department of Housing and Urban Development and the Comptroller General of the United States or any of their authorized representatives shall have access to any pertinent books, documents, papers, and records of NSP Housing Partners and SUBrecipients to make audits, examinations, excerpts and transcripts. In addition, public access to grant records shall not be restricted unless the Housing Partner or Subrecipient can demonstrate an exception from disclosure under the Texas Public Information Act/Texas Open Records Act (Chapter 552, Texas Government Code).

DEFINITIONS AND DESCRIPTIONS

1. *Blighted Structures*: For the purpose of this program, a blighted structure is a structure that has one or more city code violations.
2. *Affordable Rents*: For the purpose of this program, affordable rents will be consistent with the HOME rents published annually by the U. S. Department of Housing and Urban Development (HUD). Attached is the latest copy of Affordable Rents for San Antonio. (Attachment I)
3. *All structures supported with NSP funds will have an affordability period*. Owner occupied structures will be required by contract to be affordable for five years. If sold prior to the end of the affordability period, all NSP funds will be recaptured. Lease purchase properties will be required to be affordable for five years after the property is converted into homeownership. Properties purchased and used as rentals must be affordable for twenty years. Transitional housing units must remain transitional units for ten years. If a property is sold before the end of the contract period, NSP funds will be recaptured and returned to the City as program income.
4. *Rehabilitation Standards*: The NSP program will not be used for emergency rehabilitation. Any and all rehabilitation work must meet City code standards. Structures will not be renovated with NSP funds unless the structure can be made free of all Code deficiencies at the completion of the renovation. In the event that minor and or cosmetic renovations are needed to an acquired property, such renovations will be permitted.

5. *Substandard Property*: A structure that has two or more code violations is not financially feasible for rehabilitation and, is declared dangerous and unsuitable for occupancy by The Dangerous Structures Determination Board.
6. *Financially Feasible for Rehabilitation*: A facility is financially feasible if the rehabilitation cost is less than 60% of the after rehabilitation appraised value.
7. *Soft Second Loans*: A second mortgage loan made to the homebuyer in an amount not to exceed \$35,000 and at an interest rate not to exceed 3%. The loan will be subordinate to the primary mortgage loan. If necessary, the soft second mortgage may be deferred or forgiven (in whole or in part) over a period of time.
8. *Foreclosed upon Properties*: Properties included in this category are single-family residential, residential duplex, residential triplex, four-plex and multi-family residential properties. Also included are vacant lots or undeveloped or partially developed tracts of land that have been foreclosed upon and held by lending institutions, individual or other tax jurisdictions. The foreclosed upon process has been completed and title transferred to the foreclosing entity.
9. *Abandoned Property*: Properties to include single family, triplex, four-plex, multi-family residential structures in addition to vacant lots or tracts of land either undeveloped or partially developed that are in the fourth month (or beyond) of tax delinquency and offered for sale by the taxing jurisdiction.
10. *Temporary Housing*: A unit owned and managed by a non-profit partner, for the purpose, of providing temporary housing (for a period not to exceed one year) to families that have become homeless because of lost employment. Rent for this dwelling will be based on the families ability to pay.
11. *Lease Purchase*: Property that has been acquired and renovated (if needed) that is leased to a family for a period not to exceed five years. The rent is based on the families ability to pay and establish a monthly escrow account that will be used (after the lease period) in combination with other NSP financing tools to support the purchase of the leased unit.
12. *Eligible Participant*: For the purpose of this program, eligible participants are those that are at or below 120% of the Area Median Income (AMI) for San Antonio (published annually by HUD). The very low-income target group is defined as 50% or below AMI.