CITY OF HOUSTON BUILD IT FORWARD HOUSING RECOVERY PROGRAM

Harvey Multifamily Program Guidelines

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CITY OF HOUSTON

HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT

Disaster Recovery (DR-17) Multifamily Rental Program (Multifamily Program)

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HARVEY MULTIFAMILY PROGRAM ADMINISTRATION

The Disaster Recovery (DR-17) Multifamily Rental Program (Multifamily Program) is intended to assist eligible City of Houston (City) applicants whose affordable housing units were directly impacted by Hurricane Harvey. The Department of Housing and Urban Development (HUD) appropriated $5,024,251,000 in Community Development Block Grant-Disaster Recovery (CDBG-DR) funding to the Texas General Land Office (GLO). Of this $5 billion allocation, the City of Houston (City) has received a direct allocation from the GLO of $1,175,954,338 for development and implementation of programs that directly benefit the residents of the City of Houston. HUD outlined the allocations and applicable waivers and alternative requirements in Federal Register Notices published on February 9, 2018 (83 FR 5844). Subsequent publications of waivers and alternative requirements can be found in the table below under Applicable Laws & Regulations.

The Multifamily Program will address both direct and indirect impacts of Hurricane Harvey on the area's affordable rental housing stock. The shortage of affordable rental housing units available to meet the needs of renters in Houston was exacerbated by Hurricane Harvey. The development of new multifamily rental housing, the acquisition and/or rehabilitation of Harvey-damaged multifamily rental housing, and strategic land acquisition for multifamily development aims to address this shortage and meet the needs of disaster impacted rental households, including those in public housing. The Harvey Multifamily Program will also provide housing designed to meet the needs of special populations.

The City of Houston will administer its Multifamily Program in accordance with these Harvey Housing Guidelines, City of Houston Harvey Standard Operating Procedures, and HUD CDBG-DR regulatory requirements and guidance. The City of Houston reserves the right to adjust program priorities and re-allocate program funds and program components (reimbursement, rehabilitation, reconstruction, demolition, and interim mortgage assistance) if in doing so would it better serve the affected communities and their residents.

The City of Houston reserves the sole discretion of interpreting and applying these Guidelines, except for those items where GLO or HUD has indicated that their prior approval is required for implementation. HCDD will utilize administrative procedures to implement the programs and modify them to meet any changes made to such rules and regulations of the oversight entities, which may occur over time. At all times, should any conflict in these procedures exist with the applicable funding resource, the requirements of the funding source shall take precedence, other than "local preferences" that are allowable under federal regulations.

Daily administration of the Programs will be under the direct supervision of the Director of HCDD, or his designee within the Multifamily Division. The HCDD Multifamily Division will be responsible for accepting applications during the intake process; eligibility determination; duplication of benefits review; inspection and environmental protocols; award determination; contract and contractor assignment; construction; and completion. The HCDD Finance Division will authorize payments to contractors after review and validation of submitted invoice packages by the Multifamily Division.

CDBG-DR National Objectives

In support of the U.S. Department of Housing and Urban Development's (HUD) recovery objectives, the City of Houston has specifically designed its storm recovery programs to help impacted residents and communities recover from damage inflicted by Hurricane Harvey. As expressed in the Federal Housing and Community Development Act, the primary objective of the general Community Development Block Grant (CDBG) program is "the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low- and moderate -income (LMI)." Community Development Block Grant – Disaster Recovery funding appropriated in response to disasters must meet the general goals of the CDBG program.

All CDBG-DR funded activities through the City of Houston Multifamily Program must meet at least one of the three National Objectives defined in the authorizing statute of the CDBG program:

- Benefiting Low- and Moderate-Income Persons (LMI) (80% of Area Median Income)
- Preventing or Eliminating Slum or Blight (SB) through buyout or acquisition with demolition
- Meeting an Urgent Need (UN) by providing housing assistance to applicants making in excess of 80 percent of the area median income (AMI)

All activities funded through the City of Houston Multifamily Program, unless the requirement is waived by HUD, are required to meet one of the National Objectives.

Applicable Laws & Regulations

Federal Register (FR)	Date of Publication	Public Laws	Location:
83 FR 5844, Vol. 83, No. 28	02/09/2018	P.L. 115- 56	https://www.gpo.gov/fdsys/pkg/FR-2018-02- 09/pdf/2018-02693.pdf
83 FR 40314, Vol. 83, No. 157	08/14/2018	P.L. 115- 123	https://www.gpo.gov/fdsys/pkg/FR-2018-08- 14/pdf/2018-17365.pdf

MULTIFAMILY PROGRAM PRIORITIES

Funding priorities have been established for applicants with proposals to finance new construction, reconstruction, renovation and acquisition activities prioritizing a Housing Plus strategy within the following areas and housing types:

- Meet the unmet needs for public housing and affordable households outlined in the Needs Assessment and Local Action Plan for Disaster Recovery: Hurricane Harvey.
- Rehabilitate or reconstruct damaged affordable multifamily properties resulting from the storm's impact.
- Concentrate financing for new construction within the following areas that promote higher standards of environmental and economic resiliency:
    - i. Complete Communities and other Community Reinvestment Areas (CRA) (e.g. Tax Increment Reinvestment Zones)
    - ii. Areas of low poverty concentration and high performing schools
    - iii. Areas experiencing high rental costs that cause displacement of Low and Moderate Income (LMI) households
    - iv. Transit Oriented Developments (TOD) that promote access to mass transportation options
- Permanent Supportive Housing (PSH) and/or housing serving special needs populations that include, but not limited to homeless housing, housing for people with disabilities and Section 811.
- Preservation of existing affordable multifamily housing.

Meeting one or all prioritization criteria does not guarantee an award as funding and program timelines are limited.

MULTIFAMILY PROGRAM ELIGIBILITY OVERVIEW

a. Eligible Applicants:
    - i. Applicants acting individually or as participants in a limited partnership (LP) or limited liability corporation (LLC):
        1. For-profit developers/ borrowers
        2. Public housing authorities
        3. Units of local governments
        4. Not-for-profit developers/ borrowers
    - ii. Applicants and Applicants' team members must be in good standing with HCDD on all previous grants, loans, or loan commitments. In addition, Applicant must affirm that there are no defaults or negative collection actions relating to any financial obligation, either to the City of Houston or any other public agency or private lender.
    - iii. Applicants and Applicants' team members will have a proven track record of successful development and/or rehabilitation of at least one multifamily housing development. The

applicant must have financial and organizational capacity to complete the project.

iv. Applicants, developer owners, principals, development/borrowers or general contractors may not be "debarred" as cited on federal and state debarment lists in accordance with 24 CFR 570.609, as well as other applicable laws.

v. Applicants must not discriminate based on ethnicity, race, color, creed, religion, gender, national origin, age, disability, marital status, sexual orientation, gender identity, or Veteran's discharge status.

b. Development Eligibility Criteria and Thresholds:

i. Development must meet Disaster Recovery (DR-17) Multifamily Program eligibility requirements.

ii. Development must be located within the city limits of Houston.

iii. Multifamily rental development must have eight or more rental units under common ownership.

iv. Development within the floodway is prohibited.

v. Proposed new construction located in the 100-year floodplain, as identified on the most current Federal Emergency Management Agency (FEMA) Flood Maps, must comply with 24 CFR Part 55.

vi. CDBG regulations require 51% of the units rehabilitated or developed comply with a 20-year affordability period which ensures LMI households earning 80% or less of the Area Median Family Income (AMFI) maintain affordable rents. Additional affordability requirements will be outlined in these guidelines.

vii. All units to be occupied by LMI households must have similar finishes and access to the same amenities as any market rate (non-LMI) units.

viii. Developments must make all units available for rent to Section 8 Housing Choice Rental Voucher holders during the compliance period.

ix. Federal flood disaster assistance will not be provided for repair, rehabilitation, new construction or reconstruction in the case of an owner required to have obtained flood insurance under applicable Federal law and subsequently failed to obtain and maintain flood insurance as required under applicable Federal law on such property.

x. All awarded applications will be evaluated through an environmental and Affirmatively Furthering Fair Housing affirmatively furthering fair housing (AFFH) review.

xi. The project costs must be reasonable and typical in the current marketplace for projects of similar scope.

xii. The project must comply with all applicable federal and state requirements.

xiii. The project must address identified impediments to fair housing choice.

c. Eligible Activities

i. Rehabilitation of properties damaged from Hurricane Harvey or rehabilitate units not damaged by the disaster.

ii. New construction of properties.

iii. Demolition as part of rehabilitation and reconstruction which will serve to reduce density, if appropriate, making the property more manageable.

iv. Acquisition of existing multifamily properties to preserve or create affordable units.
v. Acquisition of land for multifamily properties. Land acquisition must be in conjunction with new construction.
vi. Refinance - Loans for refinancing existing debt are eligible under CDBG if determined that this type of assistance is necessary to achieve local community development objectives. This refinance must be part of a rehabilitation project and continued affordability -- CDBG does not permit refinance only projects.

Additionally, the City of Houston defines "not suitable for rehabilitation" for the Multifamily Program as such:

- Structures that are considered "beyond rehabilitation" and do not meet the Multifamily Program's rehabilitation standards, and/or federal, state, local code requirements shall be deemed not suitable for rehabilitation, as determined by the program and consistent with program guidelines.
- Residential properties that have experienced repetitive losses under FEMA's National Flood Insurance Program (NFIP).

Types and Maximum Assistance -
Maximum award for any individual transaction will be limited to $25,000,000. Transactions secured under a Notice of Funding Availability (NOFA) must demonstrate the following:

i. Gap financing - The request for Disaster Recovery funds should represent the gap between (a) the total project cost and (b) the applicable sources.
ii. Leverage of a minimum of 1:1 of CDBG-DR proceeds with other sources, whereby the amount of CDBG-DR funding will not amount to greater than 50% of total development costs.

Additional funding criteria may be identified within the NOFA. PSH, homeless housing or other housing serving special needs populations may be sole sourced with this grant and not subject to the leveraging requirement. HCDD may elect to provide an individual CDBG-DR award that exceed 50% of total project costs, but at the HCDD's discretion and on a subrecipient basis only.

Financing Terms

<u>Award Structure</u>

Awards will be structured as non-amortized loans. Loan commitments are not transferable and become due and payable in full in the event of noncompliance or default over the life of the agreement. Loans will have a 20-year minimum term and subject to repayment at maturity under a partial recapture agreement with HCDD during an event of sale or a cash-out refinance. Loans with an extended 40-year loan term may not be subject to repayment requirements. Awards for PSH or other transactions for special needs housing may be performance-based loans with no repayment requirements.

LURA and Loan Duration

All awards will be subject to a minimum 20-year Land Use Restriction Agreement (LURA) period to commence the acknowledgement by HCDD and the General Land Office of Texas (GLO) of successful completion of the project. HCDD will prioritize applications and proposals that subscribe to a 40-year loan term and LURA. Prior to commencement of the LURA and loan period, HCDD will provide a maximum twenty-four (24) month construction period. This period will include 18 months for construction completion and six months for lease up to be extended with the Director's approval.

Loan Position

HCDD's LURA will be superior to all other liens. In most cases, HCDD's loan position will be junior to Senior Debt; however, HCDD reserves the right to have a position senior to other sources of financing.

Interest Rate

Loans will require interest only payments and interest rates will vary based on the level and type of investment by HCDD and the program funding; however, to be underwritten at a minimum rate of 1.00%. Interest rate determination will occur during underwriting review. HCDD will establish a final loan structure to meet financial feasibility and program regulatory requirements. The loan will be structured with annual interest only payment beginning at the end of the construction period and continuing for the loan term.

Fees

Applicants will be subject to an application fee up to $1,000 due at the time of application or proposal submission. Applicants will be responsible to meet all third-party expenses (attorney, plan and cost review, … etc.) incurred by HCDD, whether or not the loan closes. Modification of HCDD loan terms after loan closing may be subject to additional fees which will be determined at the time of the loan modification request. Subsequent to the construction period and throughout the affordability period, awardees will be subject to an annual Compliance Monitoring Fee per HCDD financed unit to be outlined in the NOFA.

Affordability Covenants

- A LURA requires that the rents charged to low-income tenants are based upon the renter's income as a percentage of the AMFI established annually by HUD.
- The LURA also defines the number of units that will restricted to low-income; very low-income; and extremely low-income tenants ("restricted units").
- The LURA will be recorded in higher priority than any first lien made by a commercial lender and will remain in force throughout the affordability period despite bankruptcy,

sale, or other event transferring title. The LURA will be insured with a separate title insurance policy provided by the applicant.

- Applicant will use its best efforts to distribute the restricted units among unit sizes in proportion to the distribution of unit sizes in the Property and to avoid concentration of restricted units in any area or areas of the Property.
- Developments must accept Section 8 Housing Choice Rental Vouchers during the affordability period.
- Developments will have a minimum affordability period and loan term of 20 years. Applicants subscribing to an extended affordability period of up to 40 years will be prioritized and loan principal repayment will not be required.

Rent Restrictions

A minimum of 51% of the total units will be rent restricted based on the following criteria:

- 10% of the restricted units restricted at households and rents at 30% AMFI
- 20% of the restricted units restricted at households and rents at 50% AMFI
- 40% of the restricted units restricted at households and rents at 60% AMFI
- 30% of the restricted units restricted at households and rents at 80% AMFI

Other affordable housing subsidies (e.g. Housing Tax Credits) may be layered in the financing structure that may require additional rental restrictions. In these cases, the most restrictive rental restrictions will be applied.

Utility Allowance Standard

Tenant rents will be net of the utility allowance. HCDD will utilize the most recent utility allowance standard provided by the Houston Housing Authority.

Property and Construction Standards

All financed developments will be required to meet HCDD's Minimum Property Standards (MPS). HCDD's MPS will be applied to for new construction, reconstruction, rehabilitation, and maintenance of multifamily housing facilities that receive federal assistance as required by 24 CFR §200.925 and §200.926. The primary objective of the MPS is to establish the criteria for the life, health and safety of the residents at the property.

The MPS supplement local building codes by requiring properties to meet minimum standards of workmanship, durability and performance of various components of the multifamily property during the period of affordability. These components would include doors, windows, gates, stairwells, wall coverings, kitchen cabinets, carpeting, etc. of the property that would be maintained in good and safe working condition that ensures the life, health and safety of the residents at the property.

Pursuant to 24 CFR §92.251, housing that is constructed or rehabilitated with CDBG funds must meet all applicable local codes, ordinances, and rehabilitation standards, at the time of project completion. Housing must meet the accessibility requirements at 24CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29U.S.C.§794) and covered multifamily dwellings, as defined at 24CFR§100.201, and must also meet the design and construction requirements at 24CFR §100.205, which implement the Fair Housing Act (42U.S.C.§3601-§3619).

HCDD will conduct a final inspection of the development. Common areas and units are subject to a Uniform Physical Conditions Standards inspection. Any deficiencies identified in that inspection must be corrected before final retainage is released.

<u>Additional requirements for CDBG-DR funding include the following:</u>

1. New housing construction and replacement of substantially damaged buildings must include compliance with ONE of the following green standards:
    a. ENERGY STAR (Certified Homes or Multifamily High-Rise);
    b. Enterprise Green Communities;
    c. LEED (New Construction, Homes, Midrise, Existing Buildings Operations and Maintenance, or Neighborhood Development); or
    d. ICC–700 National Green Building Standard.

Applicants will be required to submit a scoresheet of one of the selected green standards. In addition, awardees will be required to provide a Certificate of Compliance of the chosen standard's compliance process as proof. Homes and multifamily homes must also be built in compliance with FORTIFIED Home© standards. These standards also apply to rehabilitation projects that fall within the HUD definition of substantial rehabilitation.

2. Applicants must comply with Labor Standards, Section 3 Plan, Minority/Business Enterprise (MBE), Small Business Enterprise (SBE) requirements, Affirmative Marketing, and Contractor Clearance.

3. Project costs must be "reasonable and customary" as determined by an acceptable, independent third-party report.

4. The general contractor shall furnish a Payment and Performance bond for the full amount of the construction contract, which requires the contractor's full performance of the contract. The contractor shall also furnish a 1-year Maintenance bond to secure the warranty required under the construction contract between the owner and the contractor. Bonds shall be made payable to the City and the owner, in a form approved by the Director of HCDD. The surety issuing the bond to be on the current list of accepted sureties on federal bonds published by the U.S. Treasury Department and/or on the State Board of Insurance list of authorized insurance companies in Texas.

5. Prior to commencement of construction, the developer/borrower must have a Notice to Proceed issued by HCDD. All developments including scattered-site projects owned by a sole owner with eight or more units must comply with the Davis-Bacon Wage Act (40 USC 276a–276-a5, 24 CFR Part 70).

6. The American Institute of Architects (AIA) Forms 702 and 703 will be required prior to funding each draw request.

7. HCDD will retain 10% of the total award from each draw until satisfactory completion of the development. The final request for disbursement of retainage will be submitted to HCDD with supporting documentation no later than sixty (60) days after the termination date of the Contract to remain in compliance with the Contract and eligible for future funding. HCDD shall not be obligated to pay for costs incurred or performance rendered after the termination date of a Contract.

8. Any new construction or substantial rehabilitation, as defined by 24 CFR 5.100, of a building with more than four rental units must include installation of broadband infrastructure, as this term is also defined in 24 CFR 5.100, except where the grantee documents that: (a) the location of the new construction or substantial rehabilitation makes installation of broadband infrastructure infeasible; (b) the cost of installing broadband infrastructure would result in a fundamental alteration in the nature of its program or activity or in an undue financial burden; or (c) the structure of the housing to be substantially rehabilitated makes installation of broadband infrastructure infeasible. For the purposes of this program broadband service can either be hardwired or wireless, but it must be provided at 25 Mbps down and 3 Mbps up.

9. During construction, HCDD will engage a third-party firm to provide monthly inspections and confirm work in progress. If the Senior Lender or Tax Credit Investor uses a third-party inspection firm, the City may rely on these inspection reports if the City is included as an addressee of the report. Borrowers will certify that each draw request is for actual costs expended and provide documentation to support such costs. HCDD will only pay for completed and documented work.

10. A Guaranteed Maximum Price Contract will be required. All subcontracts to be bid and tabulated.

NOTICE OF FUNDING AVAILABILITY & ADMINISTRATION

An application or NOFA process will be used to competitively select project proposals. The application or NOFA will clearly establish the process and acceptance period, threshold criteria, selection criteria, and the award process. HCDD will release its initial NOFA to remain open until a minimum of $75 million but no greater than $100 million is subscribed.

Periodic NOFA's will be released, as needed, to manage workload and ensure a reserve funding for projects that may take longer to reach application stage. However, it is anticipated each NOFA will be released no later than annually from the previous release. Applicants will be limited to submitting a maximum of two applications during each NOFA cycle. Additional information will be established in the NOFA.

Subrecipient Award

Within Local Action Plan, HCDD noted the need for Houston Housing Authority (HHA) to repair and replace damaged public housing units due to flooding impacts. Some developments may need to be reconstructed to prevent future flooding. HCDD will directly allocate an award to HHA as a subrecipient and subject to 24 CFR 570.503. HCDD may elect to award other subrecipients during administration of the grant period.

Scoring Criteria

Applications and proposals under NOFA's will be reviewed and scored internally by a panel of HCDD personnel based on the information provided. HCDD may provide a cure period for missing and/or incomplete applications but failure to submit an application in a timely manner will be disallowed. Selection criteria may include the following with additional details established within the NOFA:

- Housing Types
- Organizational Expertise
- Location Information
- Project Information
- Neighborhood, development and site amenities
- Financial Analysis

Proposals under subrecipient awards will also be subject to review.

Application Underwriting

After selection of the application or proposal, awardees will be underwritten to review the following:

- Experience and Financial Capacity - Applicants must have a documented capacity to construct, or rehabilitate, and operate multifamily housing that benefits low-income individuals. Applicants are expected to have sufficient liquidity to cover any funding shortfalls or delays that may occur during construction, lease-up and operation of the property.

- Development Financial Analysis - The underlying debt and operating expenses of the property will be reviewed to determine if the project is feasible during the affordability period and demonstrates income adequate to cover operating expenses and applicable debt service. Sources and uses of funds will be reviewed to determine the adequacy of the funding to complete the project in conjunction with the Property Condition Assessment (PCA). The scope of work for the repair of any damage caused by the event will also be assessed for adequacy of funding.

- Site Control and Market Analysis - Applicants will be either the current owner of the property or at the time of application, have a binding contract to purchase the property. The site and market will undergo an analysis to review the location, area amenities and market rent comparables.

- Third Party Reports - Applicants will be required to submit third party reports at the time of application or during underwriting to include a Survey, Property Condition Report (for rehabilitation projects only), Phase I Environmental report, Appraisal (appraisals must be URA compliant) and Market Study. For rehabilitation or construction activities, the applicant must submit an acceptable PCA conducted by a qualified third-party inspector. In addition to repair costs identified in the PCA, other costs will be considered if they extend the useful life.

- Project Readiness - Applicants may receive conditional awards subject to securing other project sources (e.g. 9% Low Income Housing Tax Credits) with final awards issued upon appropriation. Applicants will be required to demonstrate an ability to close on the city and all other financing sources buy providing a timeline of the closing process. Applications that demonstrate a readiness to close within 6 months of notice of a final award and City Council approval will be prioritized.

Flood Zone

Developments located in the floodway will be prohibited. Developments with improvements within the 100-year floodplain will also be ineligible unless the applicant can demonstrate flood mitigation practices to avoid adverse impacts to residents, impacts to the floodplain and restore natural and beneficial values. Sites not located within the 100-year floodplain and have reported flooding within the past 10 years may be subject to these requirements. Mitigation efforts will be subject to Chapter 19 of the City's Code of Ordnances. Mitigation efforts may include, but not limited to, elevating building site out of the floodplain, elevated podium construction, restricting ground floor space for residential use, pier and beam foundations for single-family units, etc. Any mitigation efforts will be considered on a case by case basis by HCDD. Applicants are advised to check property addresses against the most recent flood maps which can be accessed on Harris County Flood Control District website at www.hcfcd.org.

Property owners receiving disaster assistance that triggers the flood insurance purchase requirement have a statutory responsibility to notify any transferee of the requirement to obtain and maintain flood insurance in writing and to maintain such written notification in the documents evidencing the transfer of the property, and the transferring owner may be liable if he or she fails to do so. Applicants of Harvey impacted developments will be required to disclose receiving any FEMA financial assistance with respect to any part of a loss resulting from a major disaster as required in Section 312 of the Stafford Act to prevent any duplication of benefits.

COMMUNITY ENGAGEMENT/AFFIRMATIVE MARKETING PLAN/OUTREACH PLAN

The City of Houston has engaged in a robust community engagement strategy to inform Houstonians on the status of the local government's efforts to secure funding for its long-term recovery from Hurricane Harvey. The City of Houston, through HCDD, is committed to affirmatively furthering fair housing through established affirmative marketing policies. Affirmative marketing efforts will include the development of an Affirmative Marketing & Outreach Plan based on U.S. Department of Housing and Urban Development (HUD) regulations to ensure that units financed through the Program are affirmatively marketed to the public at large. This plan will ensure that outreach and communication efforts reach eligible homeowners and renters from all racial, ethnic, national origin, religious, familial status, disabled, and gender groups. The Affirmative Marketing & Outreach Plan will give detailed information about how the City of Houston plans for effective outreach to all groups of homeowners, landlords, and renters mentioned above, as well as how the application and enrollment process for programs will be suitable for persons with limited English proficiency, persons with disabilities and those with special needs. For each program offered by the City of Houston, notification to these populations will include: information on vacant units available for sale and/or rent; information on how to apply for unit purchase, rehabilitation or rental; opportunities to buy and/or rent the unit of their choice, and opportunities to rehabilitate their primary residence to address storm-impact.

Particular emphasis will be focused on successful outreach to LMI areas and those communities with minority concentrations that were affected by the storm. Outreach efforts will include door-to-door canvassing and special outreach efforts to hard-to-reach populations (e.g. seniors and persons with severe disabilities who either do not have information about the resources or are unable to independently apply for resources.)

In addition to marketing through widely available media outlets, efforts may be taken to affirmatively market the CDBG-DR Disaster Recovery Program as follows:

- Advertise with the local media outlets, including newspapers and broadcast media, which provide unique access for persons who are considered members of a protected class under the Fair Housing Act.
- Include flyers in utility and tax bills advertising the City of Houston's Hurricane Harvey CDBG-DR funded recovery programs.
- Reach out to public or non-profit organizations and hold/attend community meetings.
- Other forms of outreach tailored to reaching the eligible population may be used, including door to door outreach if necessary particularly on the weekends.
- Measures will be taken by the City to make the CDBG-DR Disaster Recovery Program accessible to persons who are considered members of a protected class under the Fair Housing Act by holding informational meetings in buildings that are compliant with the Americans with Disabilities Act (ADA), providing American Sign Language (ASL) translation when requested, and providing special assistance for those who are hearing or visually impaired when requested.
- Documentation of all marketing measures used, including copies of all advertisements and announcements, will be retained and made available to the public upon request.

The City of Houston is required to use the fair housing logo in Program advertising, post fair housing posters and related information, and, in general, inform the public of its rights under fair housing regulations law. Evaluation of outreach activities and applications received will be necessary to determine if outreach is successful and applications that are being received accurately reflect the socioeconomic and other forms of demographic diversity. Evaluation will be an ongoing process.

HCDD has discretion in the modification and/or addition of requirements to the Affirmative Marketing & Outreach Plan.

Needs Assessment

The City of Houston completed its Local Housing Needs Assessment to identify the impact of Hurricane Harvey on the city's housing stock. Information has been gathered from a number of sources to document the impact of Hurricane Harvey including demographic profile of impacted households including low-and moderate households.

The impact on housing is based on an estimation of the extent and depth of flooding using a flood risk assessment methodology and an estimation of damage to all buildings in Houston using a damage assessment methodology. The two methodologies provide an assessment of the impact of Hurricane Harvey's rainfall on residential buildings. The models used in these methodologies provide information on the level of inundation in each structure and the associated damage in dollar amounts to the building structure and its contents.

The entire City of Houston is located in an area HUD identified as "most impacted and distressed" as it relates to the damage from Hurricane Harvey. The City of Houston's Local Action Plan and Local Housing

Needs Assessment are the basis for the development and prioritization of recovery activities in Houston using CDBG-DR funds. The City has consulted with affected residents and stakeholders, such as the Houston Housing Authority to assess needs. As additional data becomes available and as additional community and stakeholder engagements take place, the unmet needs and activities to address community needs through CDBG-DR funds may be updated.

PROCUREMENT

Subrecipients, vendors, and contractors shall provide adequate documentation to show that selection processes were carried out in an open, fair, uniform, and thorough manner to ensure that federal (2 CFR 200.318–200.326), state, and City requirements were met.

Record retention records must include, but are not limited to, the following information:

- Rational for the method of procurement;
- Evaluation and selection criteria;
- Contractor selection or rejection; and
- The basis for the cost or price.

During the procurement process, subrecipients, vendors and contractors should clearly identify any items included in the bid/purchase that are not included in the CDBG-DR agreement with the City. Subrecipients, vendors, contractors and the City may utilize HUD's CDBG-DR and Procurement Guidance.

Subrecipients, vendors and contractors must procure goods and services using the federal procurement and contract requirements outlined in 2 CFR 200.318 – 200.326. These procurement requirements must be followed for reimbursement from grant allocations of CDBG-DR funds provided by HUD. Subrecipients, vendors and contractors and the City are also required to follow state and local procurement law and policies, as well as the additional requirements stated in 2 CFR Part 200.

Additionally, the City's Strategic Procurement Division may review draft solicitations or responses prior to award for compliance with applicable city, state and federal rules and regulations. Subrecipients and the City should clearly identify during the procurement process any items included in the bid/purchase that are not included in the CDBG-DR contract.

Regardless of the type of procurement used, subrecipients, vendors, contractors and the City must execute a contract to document the period of performance, the work to be completed, the agreed price, and contractor or provider's required compliance with all applicable federal, state, and local requirements that subrecipients and the City must follow. If there is a conflict between federal, state, and local laws and regulations regarding procurement, the more stringent law or regulation will apply.
Additionally, subrecipients, vendors and contractors are required to achieve compliance with Section 3 (24 CFR Part 135). It is strongly suggested that HUD's best practices be utilized to help achieve compliance (HUD Model Section 3 Plan), including creating a Section 3 Plan. Subrecipients, vendors and

contractors are also required to "take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible." (HUD CFR 200.321).

Furthermore, HUD and GLO require the City maintain a comprehensive public website that provides information for individuals and entities awaiting assistance for Harvey related damage, and the general public to see how all grant funds are used and managed/administered. To meet this requirement, the City and its subrecipients must make the following applicable items available to post on City's website: procurement policies and procedures; description of services or goods currently being procured by subrecipients; subrecipient and state administrative contracts and a summary of all procured contracts (as defined in 2 CFR 200.22), including those procured by subrecipients, vendors, contractors, or the city (e.g., a summary list of procurements, the phase of the procurement, details of ongoing procurement processes, requirements for proposals, and any liquidation of damages associated with a contractor's failure or inability to implement the contract, etc.). Updated summaries must also be posted monthly on the website. HUD will post guidance related to this requirement on the HUD Exchange website (www.hudexchange.info).

Financial Management

The City of Houston, as a CDBG-DR recipient, is required to follow the financial administration requirements outlined in 24 CFR Part 85.20 (Subpart C). These standards help ensure that the financial systems put in place by the City:

i. Provide adequate, current, and complete disclosure of the financial results (regular financial reporting) of all financially assisted activities, in accordance with the financial reporting requirements of the grant.
ii. Document that funds have been used only for authorized purposes. For CDBG-DR this includes not only eligible activities but that the funded projects meet a National Objective;
iii. Maintain accounting records that show the sources and uses of funds, displaying funds authorized, obligated and unobligated balances, assets, liabilities, outlays or expenditures and income;
iv. Establish effective internal controls over all cash, real and personal property, and other assets acquired with program funds;
v. Track actual program cost against program budget in a manner that relates to program productivity and accomplishments;
vi. Use Uniform Administrative Requirements outlined in 2 CFR 200 principles to determine whether program costs are reasonable, allowable, and can be allocated, either directly or indirectly;
vii. Maintain source documentation for accounting records;
viii. Implement procedures for cash management that permit the timely disbursement to applicants and subrecipients and complete and accurate monitoring and reporting; and

ix. Comply with 2 CFR 200 Subpart F

The roles and responsibilities described below are related to the financial management of the City of Houston's CDBG-DR allocation for Hurricane Harvey. These descriptions are not intended to be an exhaustive list of activities performed by each entity in relation to the CDBG-DR grant or in general.

The City of Houston

I. Finance Department – The Strategic Procurement Division (SPD) is housed within the City of Houston's Finance Department and is responsible for procuring goods and services for CDBG-DR funded activities.

II. The City Controller –The Office of the City Controller certifies the availability of funds prior to City Council approval of City commitments, processes and monitors disbursements, invests the City's funds, conducts internal audits of the City's departments and federal grant programs, operates and maintains its financial management system, conducts the sale of public improvement and revenue bonds and produces a comprehensive annual report of City finances - Comprehensive Annual Financial Report (CAFR). The Controller will be responsible for providing a variety of approvals for release of CDBG-DR funds as payment to contractors and beneficiaries.

III. Housing and Community Development Department (HCDD) – HCDD is the grant manager for Houston's Hurricane Harvey CDBG-DR allocation and responsible for administering all programs outlined in the City's Local Action Plan.
    a. Multifamily Division: This division is responsible to select and underwrite viable affordable multifamily developments and administer HCDD proceeds during the construction period.
    b. Disaster Recovery and Public Services Division: This division is responsible for program development and oversight, as well as community outreach.
    c. Finance Division: This division is responsible for processing CDBG-DR grant funding through the Systems Applications and Products (SAP), performing draws in HUD's Integrated Disbursement Information System (IDIS) and Disaster Recovery Grant Reporting (DRGR) System, and reconciling budgets and expenditures. This division is also responsible for processing payment requests in SAP and federal reimbursement requests to the GLO to be realized in the City's budget.
    d. Planning and Grants Management Division: This division is responsible for the City's CDBG-DR Local Action Plan, Local Needs Assessment, program applications, other rated planning documents, substantial amendments, project/activity budget set-up and completion in IDIS and DRGR and related reporting to HUD and GLO.

Key Funding Objective

At least 70% of the City of Houston's CDBG-DR funds must be spent on LMI impacted residents and will require close monitoring of the eligibility and award calculation stages.

DUPLICATION OF BENEFITS

Many federal and state agencies are involved in responding to Presidentially declared major disasters under the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974 (the "Stafford Act"). Grantees must be aware that the Supplemental Appropriations Act authorizing CDBG funding or the Stafford Act may include restrictions on using those program funds to provide assistance when insurance providers or other federal or state agencies have already funded all or a portion of the activity. Certain Supplemental Appropriations Acts also include restrictions against use of those program funds as a matching requirement, share, or contribution for any other federal program.

Each application will be reviewed to determine if previous funding awarded to the applicant was appropriately used on the home and if any funds were received for the same purpose. The applicant must have an unmet need to move forward in the program. The City must determine the applicant's unmet needs first and then calculate the applicant's Duplication of Benefits (DOB). Applicants must provide documentation of insurance, FEMA, SBA, and any other type of funding received. Additionally, the City will verify that the submitted documentation is accurate and current at the time of the award, to the extent possible (e.g., validate against FEMA data). The City will also determine if insurance was required under the terms of the applicant's mortgage, or required as a condition of prior federal assistance received, as part of the application review.

The applicant must repay any assistance later received for the same purpose as those awarded or provided for with CDBG-DR funds. The applicant is obligated to certify they understand this requirement as outlined in detail within the subrogation terms included in their Grant Agreement.

To comply with these requirements, the City of Houston will design Standard Operating Procedures to ensure that any funds determined to be a DOB are deducted from the final assistance award amount for each applicant across the eligible activities of all programs.

ENVIRONMENTAL

An environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local environmental standards. The environmental review process is required for all HUD-assisted projects to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users.

All properties assisted under this Program will be subject to an Environmental Review by the City prior to rehab, land acquisition, and/or new construction. CHDO Developers will be required to submit the project site address, and parcel identification number, which the City will conduct the environmental review in compliance with 24 CFR Part 58. If the project passes the Environmental Review, the city will issue a Notice to Proceed, and the developer may move forward with the approved land acquisition and new construction activity.

A commitment of funds can occur only upon satisfactory completion of an environmental review to determine whether the project meets federal, state, and local environmental standards, and receipt by the City of a release of funds from HUD under 24 CFR Part 58.35(a) or 58.36. Multifamily Developers must agree that the provision of any funds to their project(s) is conditioned on the HCDD's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review. Developers funding may be required to contract for environmental consulting services to provide the information required, which shall be an eligible project soft cost. In addition, the following regulations are applicable:

- Per 24 CFR 58.5(i)(2)(i), it is HUD policy that all properties that are being proposed for use in HUD programs be free of hazardous materials, contamination, toxic chemicals and gases, and radioactive substances, where a hazard could affect the health and safety of occupants or conflict with the intended utilization of the property.

- Per 58.5(i)(2)(ii) the environmental review of multifamily housing with five or more dwelling units (including leasing), or non-residential property, must include the evaluation of previous uses of the site or other evidence of contamination on or near the site, to ensure that the occupants of proposed sites are not adversely affected by any of the hazards listed in paragraph (i)(2)(i) of this section.

- Lots to be acquired for selection cannot and will not undergo any development or other activity that constitutes a choice limiting action per 24 CFR 58.22, regardless of whether HUD or non-HUD funds are used. No HUD funds can or will be used prior to the issuance of the Release of Funds/Authority to Use Grant Funds (AUGF) and all necessary site-specific environmental review and clearance as required by 24 CFR 58.

- "Regulations found at 24 CFR 58 also govern sound mitigation requirements if noise levels in a Normally Unacceptable Noise Zone (NUNZ, 65-75 decibels (dB)) or Unacceptable Noise Zone (UNZ, 75+ dB), and regulations found at 24 CFR 55 govern flood mitigation for any existing properties that reside in the 100-year floodplain.

- Hazardous materials described at 58.5(i)(2)(i) cover all forms of contamination, including but not limited to lead and asbestos that may be found in older buildings, particularly those built prior to 1978.

An ASTM E1527-13 Phase I Environmental Site Assessment (ESA), under 6 months of age, must accompany projects involving acquisition (rehab and new construction) as well as all new construction projects (with or without acquisition).

MULTIFAMILY PROGRAM COMPLIANCE STANDARDS

Minority Business Enterprises/Small Business Enterprises (MWSBE)

HCDD requires MWSBE participation for all federally funded contracts (CDBG, HOME, SPG, SEC 108, EDI, NSP). The City of Houston also requires 34% MWSBE participation goal of the amount of the award for all Non-federally funded projects (TIRZ, Bond, General funds) in access of $1,000,000.00.

Pay or Play

In an effort to create a level playing field for competing contractors, the Pay or Play program (POP) mandates City Contractors to offer their employees a minimum level of health benefits or contribute prescribed amount towards "Contractors Responsibility Fund" to defray the costs of providing health care to uninsured people in the Houston and Harris County area. This program applies to contracts for services in which the total expenditure by the City, including contingencies, amendments, supplemental terms and/or change orders equals or exceeds $100,000. This program also applies to subcontracts for services in which the total value of the subcontract, including contingencies, amendments, supplemental terms and/or change orders equal or exceeds $200,000.

Closing Requirements

All transactions selected for financing will require City Council approval. Afterwards, documentation will require, but is not limited to, the following:

- Final drafts of all required HCDD loan documentation
- Final Development Budget
- Final Sources & Uses including all approved documentation relating to the sources outlined in the transaction (e.g. senior loan documents, limited partnership agreements, Seller notes…etc)
- Construction Contract - should be reviewed by Construction Compliance to assure that all necessary components of Contract are included.
- Third Party Plan Review and Cost Analysis
- Survey, appraisal, bonds (or letter of credit), and liability insurance all current and in place.
- Tenant Selection Policy, Actual Lease with Addendum, Affirmative Marketing Plan, Relocation Plan if applicable, and Rent Schedule must be reviewed and approved by Administrative Director of Portfolio Compliance (ADPC) and AD.
- Release of Funds Authorization from HUD
- Assure all regulations of the Uniform Relocation Assistance Act and Acquisition of Real Property of 1970, as amended (URA) have been and will be followed.
- 30 day posting periods for Environmental and Grants Management

- Verification of Payment and Performance bond in place or acceptable letter of credit

Relocation

If existing tenants are required to move out of their units as a result of a project receiving federal funding, the developer must comply with both the Uniform Relocation Assistance Act and Real Property Acquisition Policies Act of 1970, as amended, (URA) as well as HCDD's Policies and Procedures for Relocation. The URA requires that the owner of the property receiving federal funding must provide notices and assistance to tenants impacted by acquisition, demolition, and/or rehabilitation/ reconstruction. HCDD staff will assist owners in complying with the URA. Applicants are required to provide a Relocation Plan and budget for any proposals of developments that will require relocation of current/displaced residents. The requirements include, but are not limited to: recordkeeping, document submittals, monthly reporting, and providing documentation related to efforts made to meet compliance to the URA. Projects are subject to monitoring compliance reviews.

Lease Up Procedures

Multifamily developments assisted with CDBG-DR funds are required to have a Project Tenant Selection Policy (TSP), Affirmative Marketing Plan, and a schedule of leases and rents to ensure compliance with CDBG-DR requirements. The TSP must be:

- Written and displayed at the project leasing in a common area;
- Consistent with the purpose of providing housing for families making 80 percent or less of AMFI;
- Reasonably related to program eligibility and tenant's ability to perform under the lease;
- Chronological, so that tenants taken from a written waiting list are assisted in order; and
- Designed to give prompt written notice of the grounds for rejection to any lessee rejected based on income.

MONITORING

During the affordability period, HCDD will monitor each project for financial stability, status on annual payments due as well as compliance with the City's Minimum Property Standards and LURA. This will include:

- Regular review of audited financial statements
- Annual inspections of property to assure that Minimum Property Standards are maintained
- Verifying lease related documentation/actions to demonstrate compliance with Affirmative Marketing and Fair Housing requirements under local, state and federal rules in tenant selection/housing;
- Verifying income documentation and eligibility of persons certified/assisted; and

- Certifying/approving rent rates and utility allowances within limits set by local, state or federal agencies as applicable to each project
- HCDD will maintain accurate Affordable Rental Program files and records for general administration activities for each development and tenant for the duration of the Program and during the affordability period. Such files will be open for inspection by funding-source representatives.

Cross Cutting Federal Regulations

The Multifamily Program will be designed and implemented in compliance with cross-cutting federal regulations when applicable, including:

- Americans with Disabilities Act (ADA)
- Accessibility (504) - ADA 2010
- Davis-Bacon Labor Standards
- Equal Employment Opportunity
- Fair Housing
- Fair Labor Standards Act of 1938, as Amended
- Green Building Standards
- Limited English Proficiency
- Minority- and/or Woman-Owned Business Enterprises
- Section 3
- Residential Anti-Displacement
- Uniform Relocation Act and Real Property Acquisition
- Real Property
- Acquisition of Real Property
- Insurance and Property Management
- Record Keeping, Retention and File Management
- Reporting
- Record Retention
- Access to Records (State – City)
- Audit Requirements
- Fraud, Waste and Abuse
- Conflict of Interest and Confidentiality
- Privacy

Program Closeout

HCDD assigned program staff will coordinate all required file documentation with applicants and contractors necessary for verification of completion of construction to program requirements and submit for approval of completion and closeout and proper record keeping. In accordance with HCDD approved Standard Operating Procedures, the HCDD assigned project staff will ensure compliance with program construction requirements.

DEFINITIONS

Acquisition: Acquisition of Real Property at 100 percent post-disaster fair market value (FMV) of the land and structures that allows City to acquire real property for any public purpose, as set forth in 24 CFR 570.201(a). Acquisition-only is typically not considered a complete activity in the Program and may be combined with another eligible activity (i.e., relocation assistance and new construction of housing). Methods of acquisition include purchase, long-term lease (15+ years), donation or otherwise (CPD-17-09). The City has the flexibility to hold any property purchased through acquisition as undeveloped green space in perpetuity or to redevelop it in a resilient manner.

Adjusted Gross Income (AGI): AGI is an individual's total gross income minus specific deductions as shown on the federal tax return.

Affirmatively Furthering Fair Housing (AFFH): AFFH is a legal requirement that federal agencies and federal grantees further the purposes of the Fair Housing Act. HUD's AFFH rule provides an effective planning approach to aid program participants in taking meaningful actions to overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities that are free from discrimination. The HUD AFFH assessment tool and final rule can be found here: https://www.huduser.gov/portal/affht_pt.html.

Applicant/Homeowner/Survivor: (Used interchangeably) Individuals whose homes or housing units were destroyed, made uninhabitable, needed repairs, or who suffered disaster-related displacement from their primary residences and/or loss of property.

Area Median Family Income (AMFI): Calculated annual limits based on HUD-estimated median family income with adjustments based on family size used for demonstrating LMI beneficiaries in the programs. May also be referred to Area Median Income (AMI) in other program documents.

Beneficiary: The recipient deriving advantage from CDBG-DR funding. Builder/Contractor: (Used interchangeably) A person who contracts to construct or repair houses or buildings and/or supervises building operations.

Compliance Period: The time period during which a property must comply with CDBG-DR program rules and regulations, including primary residency, income, and rent restrictions as applicable.

Davis-Bacon Act of 1931 (40 USC Part 3141 et seq.) and Related Acts (DBRA): All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with assistance received under this chapter shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended. This applies to the rehabilitation and reconstruction of residential property only if such property contains not less than 8 units.

Demolition: The clearance and proper disposal of dilapidated buildings and improvements.

Duplication of Benefits: The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funding with respect to any part of a loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other source.

Elevation Standards: Standards that apply to new construction, repair of substantial damage, or substantial improvement of structures located in an area delineated as a flood hazard area or equivalent in FEMA's data source identified in 24 CFR 55.2(b)(1).

Environmental Review: All qualified projects must undergo an environmental review process. This process ensures that the activities comply with National Environmental Policy Act (NEPA) and other applicable state and federal laws.

Event: The Presidentially declared Hurricane Harvey, and subsequent flooding, disaster event.

Family: The term "family" means all persons living together in the same housing unit, as further defined under 24 CFR 570.3.

Flood Disaster Protection Act of 1973 and Sec. 582(a) of the National Flood Insurance Reform Act of 1994: Compliance with the legal requirements of Section 582(a) mandates that HUD flood disaster assistance that is made available in Special Flood Hazard Areas (SFHAs) may not be used to make a payment (including any loan assistance payment) to a person for repair, replacement or restoration for flood damage to any personal, residential or commercial property if: (1) the person had previously received federal flood disaster assistance conditioned on obtaining and maintaining flood insurance; and (2) that person failed to obtain and maintain flood insurance as required under applicable federal law on such property.

Flood Hazard Area: Areas designated by FEMA as having risk of flooding.

Flood Insurance: The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as being within a Special Flood Hazard Areas (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). In order to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

Floodplain: FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

- "100-year floodplain" — the geographical area defined by FEMA as having a one percent chance of being inundated by a flooding event in any given year.

- "500-year floodplain" — the geographic area defined by FEMA as having a 0.2 percent change of being inundated by a flooding event in any given year.

Floodway: FEMA designated channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the base flood without cumulatively increasing the water surface elevation more than a designated height.

General Land Office (GLO): The Texas General Land Office is the lead agency for managing the State's Community Development Block Grant – Disaster Recovery grants.

Grant Agreement: A funding agreement detailing eligible program costs and project-specific award agreements between HUD and the GLO, including regulatory provisions, certifications, and requirements.

Green Building Standards: All rehabilitation (meets the definition of substantial improvement), reconstruction, or new construction must meet an industry-recognized standard that has achieved certification under at least one of the following programs: (1) ENERGY STAR (Certified Homes or Multifamily High-Rise), (2) EPA Indoor Air Plus (Energy Star a prerequisite), (3) LEED (New Construction, Homes, Midrise, Existing Buildings Operations and Maintenance, or Neighborhood Development), or (4) ICC–700 National Green Building Standard.

Home/Housing Unit: (used interchangeably) a house, apartment, group of rooms, or single room occupied or intended for occupancy as separate living quarters.

Household: A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the LMI of the household.

Housing and Community Development Act of 1974, as amended by the Supplemental Appropriations Act of 1984: Established the program of Community Development Block Grants to finance the acquisition and rehabilitation of real property and which defined the recipients and uses of such grants, with the primary goal of benefitting LMI persons.

Housing and Urban Development Act of 1968, Section 3: Requires program administrators ensure that training, employment, and other economic opportunities generated by HUD financial assistance shall be directed to the greatest extent feasible and consistent with existing federal, state, and local laws and regulations, to low- and very low-income persons. Recipients of Section 3-covered funding ensure compliance and the compliance of their contractors/subcontractors with the Section 3 requirements, as outlined in 24 CFR 135.32.

Housing Quality Standards (HQS): The HQS establish certain minimum standards for buildings constructed under HUD housing programs. This includes new single-family homes and multifamily housing as outlined in 24 CFR 982.401.

Low/Mod Housing (LMH) : Any activity that involves the buyout, acquisition, or rehabilitation of property to provide housing or improve permanent residential structures will upon completion benefit and must be occupied by low- and moderate-income households (42 U.S.C. 5305(c)(3)). Income eligibility will be determined using Area Median Income (AMI), adjusted for family size and verified in accordance with City's Adjusted Gross Income Methodology. The most current income limits, published annually by HUD, shall be used by the City to verify the income eligibility of each household applying for assistance at the time assistance is provided.

Low/Mod Income (LMI): Activities which benefit persons of income that does not exceed 80 percent of the area median income:

- Extremely low: Household's annual income is up to 30 percent of AMI, as determined by HUD, adjusted for family size;
- Low: Household's annual income is between 31 percent and 50 percent of AMI, as determined by HUD, adjusted for family size; and
- Moderate: Household's annual income is between 51 percent and 80 percent of AMI, as determined by HUD, adjusted for family size.

Manufactured Housing Unit (MHU): A structure, transportable in one or more sections which in the traveling mode is 8 body-feet or more in width, or 40 body-feet or more in length, or when erected on site, is at least 320 square feet, and which is built on a permanent chassis and is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

Mitigation: Improvements made to reduce the possibility of property damage, personal and commercial hardship, as well as long lasting monetary burdens. For example, creating a flood mitigation program such as an acquisition of at-risk flood-prone property/housing, and elevation of housing in high-risk floodplains are two visible and effective mitigation projects that can be taken to make residents and communities safer in the face of natural disasters.

Modular Housing: A home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

Multifamily Rental: Eight or more rental units in the property.

Needs Assessment: A needs assessment is a critical component in the allocation of funding across and within National Objectives for CDBG-DR funds. A given needs assessment will recommend the proportions of funding that should be set aside to benefit each LMI and non-LMI economic group. The needs assessment will determine the activities to be offered, the demographics to receive concentrated attention, the disabled, "special needs," vulnerable populations, and target areas to be served. The needs assessment will also include an assessment of the types of public services activities that may be needed to complement the program. The needs assessment should set goals within the income brackets similar to the housing damage sustained within the impacted areas. Deviations from goals must be approved by the City before the Program may move forward. Each needs assessment will be posted for a 30-day public comment period and approved by the GLO before implementation.

New Construction: A replacement home that substantially exceeds the original footprint on the existing lot (if permitted) or the construction of a new home in a new location.

One for One Replacement: Subpart B Requirements Under Section 104(d) of the Housing and Community Development Act of 1974, 24 CFR 42.375 provides for public and/or assisted lower-income dwelling units to be demolished or converted to a use be replaced with comparable lower-income dwelling units.

Overall Benefit: The City must certify that, in the aggregate, not less than 70 percent of the CDBG-DR funds received by the City will be used for activities that benefit LMI households.

Reconstruction: Demolition and rebuilding of a stick-built or modular housing unit on the same lot in substantially the same footprint and manner. This activity also includes replacing an existing substandard manufactured housing unit (MHU) with a new or standard MHU or stick-built/modular housing unit. The number of units on the lot may not increase, and the total square footage of the original, principal residence structure to be reconstructed may not be substantially exceeded; however, the number of rooms in a unit may be increased or decreased based on the applicant’s current household size.

Rehabilitation: Repair or restoration of storm-damaged housing units to applicable construction codes and standards.

Single Family Home: A single-unit family residence detached or attached to other housing structures.

Slum and Blight National Objective: Activities which help to eliminate slum and blighted conditions. (Use of this National Objective is limited due to its inability to contribute towards the overall requirement for 70 percent LMI to benefit low- to moderate-income beneficiaries.) See 24 CFR 570.208(b).
Slum and Blight activities must meet the criteria of one of the three following categories:

- Prevent or eliminate slum and blight on an area basis;
- Prevent or eliminate slum and blight on a spot basis; or
- Be in an urban renewal area.

Subrecipient: Cities, counties, Indian tribes, local governmental agencies (including COGs), private non-profits (including faith-based organizations), or a for-profit entity authorized under 24 CFR 570.201(o). The definition of subrecipient does not include procured vendors, private grant administrators, or contractors providing supplies, equipment, construction, or services and may be further restricted by Program rules or other guidance including applications. See vendor definition for further clarification.

Subrogation Agreement: An agreement executed by the beneficiary agreeing to repay any duplicative assistance if the beneficiary later receives other disaster assistance for the same purpose as disaster recovery funds already received.

Substantial Damage: Damage of any origin sustained by a structure whereby the cost of restoring the structure to its pre-damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred (44 CFR 59.1).

Substantial Improvement: Any reconstruction, rehabilitation, addition, or other improvement of a structure which the cost equals or exceeds 50 percent of the fair market value of the structure before the ''start of construction'' of the improvement. This term includes structures which have incurred ''substantial damage,'' regardless of the actual repair work performed. The term does not, however, include either: (1) any project for improvement of a structure to correct existing violations of state or local health, sanitary, or safety code specifications which have been identified by the local code enforcement official and which are the minimum necessary to assure safe living conditions, or (2) any alteration of a ''historic structure,'' provided that the alteration will not preclude the structure's continued designation as a ''historic structure''(44 CFR 59.1).

Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, as amended (Title 49 CFR Part 24) (42 U.S.C. 4601 et seq.) (URA): Applies to all acquisitions of real property or displacements of persons resulting from federal or federally assisted program or projects. URA's objective is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects. For the purposes of these guidelines, URA mostly applies to residential displacements in involuntary (49 CFR Subpart B) acquisition or multifamily damaged/occupied activities that require the relocation of the tenants. A displaced person is eligible to receive a rental assistance payment that is calculated to cover a period of 42 months, as waived by the FR.

Urgent Need National Objective: An urgent need that exists because conditions pose serious and immediate threat to the health or welfare of the community; the existing conditions are recent or recently became urgent; and the applicant cannot finance the activities on its own because other funding sources are not available. The city must document how each program and/or activity funded under this category responds to a disaster-related impact. See 24 CFR 570.208(c).

Vendor: Vendors and private grant administrators procured by the city or contractors to provide supplies, equipment, or services necessary to implement the Program and to serve program needs. Upon approval, the vendor may implement the Program or act on behalf of the City.