



CITY OF HOUSTON BUILD IT FORWARD HOUSING RECOVERY PROGRAM

Harvey Single Family Development Guidelines

**DRAFT
Version 0.8
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**City of Houston
Housing and Community Development Department**

Version History

Version Number	Date	Comments
0.1	11/26/2018	Initial draft
0.2	6/30/2019	Revisions made to answer questions posed by GLO, City of Houston Legal staff, HCDD DR staff, and other commenters
0.3	8/09/2019	Sales Price Ceiling Set Site Specific Conditions named Minority concentration was changed to communities were most impacted by Hurricane Harvey's flooding Resilient Home Construction added Conditions for Accelerated Forgiveness added
0.4	03/09/2020	Changes related to land acquisition costs, single family development cap aligned with HOME Max Purchase Price for LMI homebuyers and Housing Trust Fund Homeownership Value Limits for homebuyers.
0.5	04/30/2020	Written Agreement was added Recapture Provision was added Section 3 Requirements were enhanced Nonprofit Developer Selection Process was clarified Application Intake now includes Integrated Grant Reporting (TIGR) System. Harvey Buyout option removed Funding amount changed to \$122,269,086
0.6	8/21/2020	Funding amount updated to \$222,269,086 Clarified subsidy inclusion within the Homeownership Value Limit Clarified target Household prioritization Revised Needs Assessment Definition
0.7	9/22/2020	Added the term "target areas" Added clarifying language for developer's assistance and "pass-through" buyer's assistance. Replaced the use of the term developer's assistance with "pass-through" assistance as applicable. Added the term "Cap" to the New Construction/Site-specific chart
0.8	12.30.2020	Harvey Single Family Development Program funding amount reallocated as \$60,000,000. Deal Structure Options added program. Map 1. Substantially Damaged Homes, Local Housing Needs Assessment Map 2. Households Impacted by Income Group, Local Housing Needs Assessment Expanded from Nonprofit Developers to For-Profit, Contractors and Subrecipients
0.8	01.15.2021	Revisions made to resolve PGM comments Updated Deal Structures
0.8	01.27.2021	Written Agreement was removed Recapture Provision was removed Section 3 Requirements were enhancement removed

Project completion and Retainage Procedures removed
Deal structures renamed to Developer Options

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Introduction

Through our recovery programs, the City of Houston (City) is committed to building a resilient and equitable city after Hurricane Harvey. The Harvey Single Family Development (HSFD) Program endeavors to build safe and affordable homes across our city, in communities where people can thrive. This means investing in the construction of new homes in areas safe from future flooding; utilizing sustainable resilient designs and enhancing the delivery process. We will use stakeholders' feedback to evaluate the success of our program results and will be transparent on the progress of the recovery program. Recovery from Hurricane Harvey presents a historic opportunity to build forward Houston communities that are stronger than ever before.

HSFD Program Administration

The focus of the HSFD Program is to fulfill the unmet housing need for LMI individual Households affected by Hurricane Harvey through the development of new affordable resilient single-family homes. HSFD is designed to assist eligible Applicants whose residence were directly or indirectly impacted by Hurricane Harvey. HUD appropriated \$5.676 billion in Community Development Block Grant-Disaster Recovery (CDBG-DR) funding to the Texas General Land Office (GLO). The approved grant award for the HSFD Program is \$60,000,000. These funds support communities working to build back stronger and more resilient through the development of new affordable homes. HUD has outlined the allocations and applicable waivers and alternative requirements in the Federal Register Notice published on February 9, 2018 (83 Fed. Reg. 5844).

HSFD Program Overview

The Harvey Single Family Development (HSFD) Program will facilitate new affordable single-family homes available for purchase by LMI Households whose annual income is less than or below 80% of the Area Median Income (AMI). The Housing and Community Development Department (HCDD) will partner with qualified developers, subrecipients and contractors to implement and market the homes developed. Nonprofit and For Profit Developers (Developer) selected through a Notice of Funding Availability (NOFA) process will be assigned on a project performance basis and will be fully responsible for all aspects of their assigned construction projects.

The HSFD Program will provide an opportunity for Harvey-impacted residents to purchase newly constructed homes and move out of areas within the floodway, floodplain or areas that are prone to repetitive flooding. Harvey-impacted homeowners with homes in need of reconstruction will have an option to move to a new home offered for sale through the HSFD Program. This program will work in conjunction with the all City of Houston Hurricane Harvey Disaster Recovery programs to provide Direct Homebuyer Assistance.

Individuals applying to the program will be assisted with direct homebuyer benefits after a review and verification of all eligibility and subsequent requirements, including securing a fixed-rate mortgage loan from their preferred lender. Homebuyers that qualify for Direct Homebuyer Assistance will receive a zero-interest forgivable loan secured by a second lien to the primary mortgage lender lien on the property.

Direct Homebuyer Assistance

Applicants must obtain a fixed-rate mortgage loan for at least the length of the Compliance Period before HSFD Program assistance is awarded. After the Applicant provides the required down payment, the City will assist the Applicant in the form of Direct Homebuyer Assistance not to exceed \$135,000. The direct subsidy to qualified Households is provided as a forgivable loan in accordance with the City’s recapture policy. Applicants who participate in the Harvey Acquisition will be required to apply the amount received from the Acquisition of their home towards the purchase of the new home in the HSFD Program and may be considered for direct buyers’ assistance. The Applicant’s *purchase* price will vary based on the floor plan selected, site-specific conditions and shall not exceed HUD’s Homeownership Value Limits.

In some cases, a LMI Homebuyer will need Direct Homebuyer Assistance based on the amount of their mortgage loan approval and the sales price of the home. The following Direct Homebuyer Assistance will be applied:

- **Developer Assistance** – The Developer will reduce the sales price of the home to guarantee affordability for prospective LMI Homebuyers. The Developer’s can not sell the homes above the HOME and Housing Trust Fund (HTF) Homeownership Value Limits for affordable homeownership values set for Houston/Harris County.

Example:

Developer Sales Price	\$296,000
HTF/Affordable Price:	<u>\$238,000</u>
Developer Subsidy:	\$58,000

- **HSFD Pass-Through Assistance** – The HSFD funds used to finance the Development for activities, such as land acquisition, construction, soft costs, and site-specific conditions will be passed-through as Direct Homebuyers Assistance. The amount of HSFD Pass-Through Homebuyer Assistance is calculated after any Developer Assistance is accounted. When the LMI Homebuyer requires additional assistance to close the gap between the HTF/Affordable Sales Price and their Mortgage Approval Amount the HSFD Pass-Through Assistance will be applied.

Example:

Developer Sales Price	\$296,000
Developer Assistance:	\$58,000

HTF/Affordable Price:	\$238,000
Homeowner Mortgage Approval:	\$175,000
HSFD Pass-Through Assistance:	<u>\$63,000</u>
Total Direct Homebuyer Assistance:	\$121,000

- **Program income or Developer Proceeds** – Any funds that are actually recovered from the sale and remain after all other financing and closing costs are paid must be accounted for as Program Income which is returned to the HSFD Program unless a special waiver was granted, to allow for Developer Proceeds.

Under certain circumstances, when the a very low income Homebuyer needs Direct Homebuyer Assistance beyond the available Developer Subsidy HSFD Program may provide additional assistance to the Homebuyer with Program Income.

Properties or lots for the new construction of single-family homes will be obtained from a variety of sources, including, but not limited to the Houston Land Bank, land acquisition, and Nonprofit or For Profit organizations that have existing land available. The City may use the funds to purchase vacant lots suitable for new construction. The City may enter into agreements with prospective Developers or Contractors to acquire vacant properties for new home development

CDBG-DR National Objectives

As expressed in the federal Housing and Community Development Act of 1974,¹ the primary objective of the Community Development Block Grant 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).”

CDBG-DR funding appropriated in response to the Hurricane Harvey disaster must meet the general goals of the Community Development Block Grant program. All CDBG-DR funded activities through the HSFD Program will meet the National Objective - Benefiting LMI Persons less than or below 89% of the Area Median Income.

Applicable Laws & Regulations

Funding Source	Type of Rule	Source
CDBG	Regulation	24 CFR 570

¹ Pub. L. 93-383, 88 Stat. 633-2 (codified as amended at 42 U.S.C. §§ 5301-5321) (the “HCDA”)

	HUD Exchange	HUD Exchange CDBG Entitlement
	HUD Monitoring Guide	Administration Handbooks
CDBG-DR 2017 Hurricane Harvey	HUD Exchange – CDBG-DR	CDBG-DR Programs
	Public Law 115-31 (Section 421), enacted 5/5/2017	Public Law 115-31
	Public Law 115-56 (Division B), 9/8/2017	Public Law 115-56
	Public Law 115-72, 10/26/2017	Public Law 115-72
	FRN 82 FR 61320 12/27/2017	82 FR 61320
	FRN 83 FR 5844, 2/9/2018	83 FR 5844
	Public Law 115-123, 2/9/2018	Public Law 115-123
	FRN 83 FR 40314, 8/14/2018	83 FR 40314

HCDD's objective is to provide housing programs that will preserve and expand the City's housing stock while creating sanitary, safe, energy efficient housing, and a resilient community. HCDD's objective includes assisting LMI homebuyers, including those that have participated in the Harvey Homeowner Assistance Program (HoAP) Acquisition option. The City also places an emphasis on housing choices and designs that reduce maintenance and insurance costs as well as provide independent living options for which standards are defined in each respective Notice of Funding Availability (NOFA).

The City will administer the HSFDP Program in accordance with these Harvey Single Family Development Guidelines, and the HUD CDBG-DR regulatory requirements and guidance. The City reserves the right to adjust program priorities and re-allocate program funds and program components if in doing so would better serve the impacted communities and residents.

The City reserves sole discretion for interpreting and applying these Harvey Single Family Development Program Guidelines, except for those items where the GLO or HUD has indicated that their prior approval is required for implementation. HCDD will utilize administrative procedures to implement the program activities 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 Single Family Division's Assistant Director or the designee of HCDD's Director. Intake Specialists will be

responsible for accepting applications through the HCDD Application Intake process. Further processes, such as eligibility, Duplication of Benefits review, inspection and environmental protocols, award determination, Developer assignment, construction, and completion, will be administered and implemented by HCDD Single Family Division. The HCDD Finance Division will authorize approved payments to payees after review and validation of submitted invoice packages by the Single-Family Division.

New construction of single-family homes is eligible based on a HUD waiver granted in 83 Fed. Reg. 5844, waiving the HUD restrictions at Section 105 of the HCDA, 42 U.S.C. § 5305, Subsection (a), and 24 C.F.R. § 570.207(b). The waiver permits new housing construction of single-family homes.

HSFD General Prioritizations and Target Areas

Funding priorities have been established to assist (in order of descending priority):

1. LMI homebuyers that have participated in the City's Homeowner Assistance Program Acquisition
2. LMI homebuyers living in a Floodway;
3. LMI homebuyers living outside of the Floodway and within the designated Complete Communities whose home has been deemed infeasible for reconstruction; and
4. Other Applicants will be served on a first come, first serve basis. The City or its Subrecipient will retain ownership until the applicant is transferred the title.

HSFD Eligibility Overview

The Harvey Single-Family Development Program (HSFD) Administrators will not hinder any qualified Applicants' ability to complete an application and submit all required eligibility documentation. However, during the application review process HSFD staff will prioritize qualified Applicants that live inside of the HUD-identified most impacted counties and zip codes.

This eligibility overview provides the requirements, income criteria, and funding priorities that Applicants for HSFD must meet to be eligible for the City's CDBG-DR funds, specifically for the HSFD Program. All eligibility and verification methods are subject to HCDD, GLO, and HUD approval. HCDD may engage HUD Certified Counselors to assist Applicants with assessing their financial situation and evaluating options for full benefit of the offered programs. The program requirements and eligibility elements include but are not limited to meeting a National Objective, verification of income, Duplication of Benefits, property location, ownership, occupancy, primary residence, documented damage and tie back to the storm and Flood Insurance.

Disaster damage can be documented as follows:

- Inspection Report – An inspection report (complete with photos of the damage and a written assessment of the damage) conducted by certified or licensed inspector that certifies the damage occurred as a result of the hurricane.
- FEMA, Small Business Administration (SBA) or Insurance Award Letters;
- Insurance Claim paid for the structure
- HCDD will determine whether projects are located within the City limits. All proposed projects must have their location verified by the GIS Section to determine the location is within the City of Houston.

All new construction of single-family homes must be tied to a disaster related impact. Applicants of the program may be eligible by documented hardship caused as a result of the Hurricane Harvey event, including, but not limited to, loss of home, forced displacement, and an updated FEMA flood map. Participants in the HSFD Program may have chosen the HoAP Acquisition option. The following eligibility criteria must be met prior to participation in the HSFD Program.

HSFD Applicant Eligibility Requirements

1. Must have resided within the incorporated limits of the City of Houston at the time of Hurricane Harvey (August 25, 2017).
2. Must have been directly impacted by Hurricane Harvey or indirectly impacted due to the resulting housing shortage.
3. All homeowner/Applicants and co-Applicants and Household members over age 18 must be current on payments for child support or on an approved payment plan.
4. Applicants who are existing Harvey-Impacted Homeowners must furnish evidence that property taxes are current, under an approved payment plan, or that there is an exemption under current laws. **Not applicable for first-time Homebuyers or Renters.**
5. Applicants who are existing Harvey-Impacted Homeowners are required to be up to date on their mortgage payments or an approved forbearance agreement with evidence that payments are in good standing. **Not applicable for first-time Homebuyers or Renters.**
6. Homeowner/Applicants must obtain a fixed-rate mortgage loan for, at a minimum, the length of the Compliance Period (see ix below) before assistance from the HSFD Program is awarded.
7. Homeowner/Applicants must agree to a limited subrogation of any future awards related to Hurricane Harvey to ensure Duplication of Benefits compliance.
8. Homeowners are required to maintain principal residency in the assisted property throughout the length of the Compliance Period. Cash-out refinancing, home equity

loans, or any loans utilizing the assisted property as collateral must be approved during the compliance period. A violation of this policy will activate the loan repayment terms.

9. Program participants must agree to the Compliance Period and lien requirements. The lien period for homes purchased will be based on the amount of Direct Homebuyer Assistance provided:

Loan Amount	Term	Annual Reduction Rate*
Less than \$20,000	No lien	0%
\$20,00 - \$40,000	5 years	20%
\$40,000 - \$80,000	10 years	10%
More than \$80,000	20 years	5%

The lien on the property will be removed upon completion of the terms and conditions of all documents related to the program and completion of the compliance period.

10. Forgiveness of the loan provided will be prorated over the course of the determined compliance period. The proration percentage will depend on the length of the period, with 100% of the loan being forgiven and the lien satisfied at the termination of the Compliance Period.
11. Should the Homeowner sell or otherwise convey their ownership interest in the property during the Compliance Period the remaining prorated amount of assistance will become immediately due and payable. Should a homeowner convey ownership interest of the assisted property, HCDD will enforce Recapture Provisions through a lien. Recapture parameters will be outlined in the City’s Standard Operating Procedures (“SOP”) based on reason and the process to follow for each.
12. There is accelerated forgiveness in certain cases in the event of (1) the death, (2) relocation to a managed-care facility, or (3) relocation resulting from documented mental or physical incapacitation of the sole remaining assisted homeowner identified in the original application, where the City may forgive any remaining loan balance. However, the requirement that only LMI persons may occupy the assisted Housing Unit until the CDBG-DR contract is closed by the HCDD or the contract period expires, shall not be waived by HCDD. A request for assistance with unique accelerated forgiveness cases that may require review as a result of trust or will heirship matters is feasible. Harvey-damaged property inherited from a program participant will not be subject to the repayment requirements. The damaged property will continue its Compliance Period.
13. Program participants must maintain insurance for the property. Hazard insurance as well as Flood Insurance, and windstorm insurance (if required) will be monitored during the length of the Compliance Period. Please note, if required, Flood Insurance must be maintained on the property during the life of the property, regardless of transfer of ownership. Failure to maintain Flood Insurance may result in the denial of future federal disaster assistance should another event occur.

14. If the property is sold, Flood Insurance requirements are transferred to the new homeowner. Program participants must notify the new homeowner in accordance with 42 U.S.C. § 5154a. Such notification and transfer parameters must be contained in writing in documents evidencing the transfer of ownership of the property. A program participant may be subject to liability if he or she fails to provide the notice required by 42 U.S.C. § 5154a (see *also* 83 Fed. Reg. 5844, Section 40(b)(3)).
15. Must agree to occupy the newly constructed home as their primary residence.
16. Must meet the HUD CDBG National Objective: Low- and Moderate-Income (LMI).

Additional Eligibility Requirements

Flood Insurance Verification

Flood Disaster Protection Act of 1973 as amended 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 an 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

Beneficiary Household Applicant Eligibility Requirements

The following are threshold requirements, which must be met for a beneficiary Household Applicant to be eligible for assistance. Eligibility does not guarantee assistance since a prioritization strategy within LMI economic subgroups will be required, and it is expected that there will be more eligible applicants than can be served with available funds.

1. Income Determination

The income limits to be utilized for the CDBG-DR Single Family Homeowner Program are the Houston-The Woodlands-Sugar Land, TX Metropolitan Fair Market Rent Area income limits established yearly by HUD for the Section 8 Housing Program. Applicants' income can be no greater than 80% of the Area Median Income, adjusted for Household size. Income eligibility will be determined and verified in accordance with the IRS Adjusted Gross Income Methodology. The most current income limits, published annually by HUD, will be used to verify the income eligibility of each Household applying for assistance at the time assistance is provided. HSFD will always use the most recent income limits and will monitor to ensure compliance with

the income guidance as provided throughout these Guidelines.

2. National Objective

Beneficiaries of the Single-Family Programs must meet the LMH National Objective of supporting housing activities for impacted persons of low- and moderate-income that, upon completion of the housing activity, will be occupied by such person. Assistance to non-LMI Applicants may be provided under urgent need requirement. Slum and blight may be addressed under the Local Acquisition Program.

3. Unmet Needs

Only Applicants with an unmet need related to the CDBG-DR funded event will be eligible. Documentation evidencing impact from the event will be required as part of the unmet needs' determination.

4. Not Eligible. HSFD Program Assistance for the purchase of a home is prohibited when

- The combined Household income is greater than 120 percent of the AMI.
- The property was in the Floodplain at the time of the disaster.

Application Process

Individuals seeking to participate in Harvey related CDBG-DR programs administered through the City of Houston will be required to first complete a survey, except for programs where organizational participants will submit an application through a NOFA process. The HSFD Program will procure Nonprofit or For Profit Developers, Subrecipient and Builders through an RFP and/or NOFA Selection process. The individual Household survey and online application will be accessible through various means including the City's disaster recovery website, in-person, through an intake kiosk at each local area Housing Resource Center (HRC), community outreach events, and over the phone with direct assistance from a City-assigned Housing Advisor.

Initially, the data collected through the survey will help to better identify specific housing needs across the City's area population and highlight the alignment with LMI areas whose communities were most impacted by Hurricane Harvey's flooding as revealed through the Needs Assessment results. Additional purposes of the survey will include assessing the impacts of the Affirmative Marketing & Outreach Plan and identifying actions for ongoing outreach efforts.

HCDD will develop a process to accept applications for funding to serve LMI Households. Funding priorities have been developed in a manner that affirmatively furthers fair housing objectives.

Application Intake

All interested Applicants will be invited to complete an application for participation in the HSFD Program. The online application packet will be available to prevent any pre-screening of Applicants without a written application being taken. Anyone who makes an inquiry about the Program will be provided with a GLO approved application package to complete. The GLO approved application is a standardized application. All Applicant inquiries will be reported in a GLO provided format. Applications will be submitted electronically through the Texas Integrated Grant Reporting (TIGR) System.

The application package will include detailed instructions for completing the application, eligibility criteria, steps for appeals and/or program escalations, document checklists, environmental requirements, and program contact information including location and hours of area Housing Resource Centers (HRC's), etc. Any Applicant requesting or needing help to complete their application will be made available.

HCDD Intake Specialists will be responsible for receiving program specific applications and supplemental documentation during the intake process from the Applicant until all required information is collected for HCDD to make an official eligibility determination. As applications are being accepted and reviewed for determinations of eligibility to participate in the Program, each Applicant will be assisted with documentation collection and made aware of their application status. Applicants will also be able to create an account in the City's system of record to upload documents and monitor their application status.

Applications and forms will be offered in English and other languages prevailing in the region, including Spanish, Vietnamese, Chinese, Arabic, and French, in accordance with Title VI of the Civil Rights Act of 1964. Applications will be offered in a manner consistent with fair housing and civil rights requirements, such as persons with disabilities (24 C.F.R. § 8.6), Limited English Proficiency (LEP) and others, including the effective communication requirements under the Americans with Disabilities Act. Every effort will be made to assist such Applicants in the application process.

Intake Specialists or Language Specialists Assistants must be able to communicate with Applicants in their primary language and assigned to the Applicants as appropriate. Additionally, they must ensure effective communications with persons with disabilities pursuant to 24 C.F.R. § 8.6 and other fair housing and civil rights requirements (such as the effective communication requirements under the Americans with Disabilities Act).

Priority groups and applications will be assessed on a regular basis and formally announced on the website and through updated program memos or email blasts. All official Applicant program notifications will be sent via U.S. Mail (using the mailing address provided by the Applicant or communication designee). If needed, additional contact attempts will also be made via phone and email and/or text if provided. Applicants will be provided an ***initial 30 days*** to respond to the invitation to complete a HSFD application from the date of the official notification change.

Applicants, if necessary, will be provided two (2) more mailed notifications with an additional 30-day time period to apply (totaling 90+ days). If there is no response to the invitation to apply after all three (3) official invitation to apply notifications, Applicants will be automatically withdrawn from the active HSFD population. To be reinstated in the active HSFD population, a withdrawn Applicant must submit a formal HSFD appeal (See “Appeals” section below).

Applicants who initiate the Application and Intake phase within the prescribed timelines, will be allowed **90 days** to fully complete the application and submit required supplemental documentation.

An Application Document Checklist will be provided along with every Application to clearly identify document types accepted for each eligibility criteria. In addition to assigning Intake Specialists to each Applicant, extensive efforts will be made to assist Applicants to successfully complete the Intake phase within this timeline, including actively working with area nonprofits and case managers, providing limited legal aid and translation services, offering routine community outreach events, and making area mobile and house visits. Extensions to a 90-day Intake time period will be formally made in writing on a case-by-case basis by the City.

Other Survey and Application Intake deadlines may be determined in the future based on the date of invitation and initiation of an application and overall availability of CDBG-DR/HSFD specific funding. Prior to the loan closing date, all Applicants will be informed in writing that funding even after eligibility determination, will not be guaranteed. New policy and critical date determinations will be provided on the website and shared through written Harvey Recovery Program notifications.

Case management will be provided throughout the process to assist Applicants and their families through clear and transparent communication to understand the program’s housing options, determine eligibility, navigate the construction process, execute necessary documentation, and close out the project while decreasing barriers to participate in the program.

Original (paper) records will not be accepted and will be returned by mail if received. All records will be developed and signed via DocuSign (as available) within the systems and/or scanned electronic records. Paper records, originals, or copies, will not be retained over a long-term period. The programs Document Management Standard Operating Procedures will provide specifics of document naming conventions, receipt, transfer, tracking, and general record retention details.

All applications will include a false claims statement similar to the following:

“Warning: Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001 and 31 U.S.C. 3729”

HSFD Construction Overview

Developer Options

The Harvey Single-Family Development (HSFD) Program's prime objective is to create affordable new construction for LMI Hurricane Harvey impacted Homebuyers. The program will engage land acquisition partners such as Houston Land Bank (HLB) or Houston Community Land Trust (HCLT) to safeguard long-term affordability for LMI Homebuyers.

HSFD will operate with the following Developer Options:

Developer Options #1: City of Houston Owns the Land

1. HSFD proposes Land Acquisition to GLO for preapproval
2. With GLO preapproval, The City of Houston (HCDD) procures Land and seeks reimbursement for land acquisition costs
3. HSFD releases a NOFA and awards best proposal with approval from GLO and Houston City Council
4. The City conveys land to the awarded Developers with an agreement to build a minimum of 51% affordable homes
5. Developer may charge up to 15% development fee per the NOFA proposal accepted
6. HSFD reviews applicant eligibility and certifies buyers
7. The Developer markets and sells the home to qualified, eligible LMI Homebuyers
8. The Developer will provide Direct Homebuyer Assistance to discount the Market Sales Price to HFT/Affordable Price for LMI Homebuyers

Developer Option #2: Developer Owns the Land

1. The Developer has site control seeking Gap Financing
2. HSFD releases a NOFA and awards best proposal with approval from GLO and Houston City Council
3. HSFD will provide Gap Financing for land, infrastructure or construction costs
4. HSFD reviews applicant eligibility and certifies buyers
5. The Developer markets and sells the home to qualified, eligible LMI Homebuyers
6. The Developer will provide Direct Homebuyer Assistance to discount the Market Sales Price to HFT/Affordable Price for LMI Homebuyers.

Land Acquisition

Upon notification of pre-approval from GLO, the City will proceed with efforts to acquire any real property, including easements and right-of-way, required for the project. CDBG-DR federal funds, administered by HCDD and disbursed to Developers and direct Contractors and/or beneficiaries, are subject to the Uniform Relocation Assistance and Real Property Acquisition

Policies Act of 1970, as amended (Uniform Act or URA) and/or Section 104(d) of the Housing and Community Development Act of 1974. The applicable federal regulations are located at 24 C.F.R. Part 570, 49 C.F.R. Part 24 (URA), 24 C.F.R. Part 42 (Section 104(d)), and in Tenant Assistance, Relocation and Real Property Acquisition Handbook (HUD Handbook 1378).

Developers must provide the following benefits to Households that they displace:

1. Relocation advisory services;
2. A minimum of 90-day notice to vacate;
3. Reimbursement for moving expenses; and
4. Payments for added cost of renting or purchasing comparable replacement housing.

A purchase option agreement on a proposed site or property prior to the completion of the Environmental Review is allowed if the option agreement is subject to a determination by the Developer on the desirability of the property for the project after the Environmental Review is completed and the cost of the option is a nominal portion of the purchase price. Prior to advertising for bids, the Developer must have obtained all lands, rights-of-way, and easements necessary for carrying out the project.

HCDD may acquire real property, after determining whether the Acquisition is voluntary, through one of the following methods:

1. Donation;
2. Just compensation purchase;
3. Negotiated purchase

HCDD will provide property owners with the appropriate forms, Invitation to Accompany an Appraiser; Written Offer to Purchase; Statement of Basis of Just Compensation; Notice of Intent Not to Acquire; Donation and Appraisal Waiver; and Administrative Settlement.

Insurance and Property Management

For all projects in the HSFD Program, all property owners must procure and maintain insurance for the duration of the agreement to protect all contract assets from loss due to any cause, such as theft, fraud, and physical damage. If CDBG-DR funds are used to acquire real property or personal property, the property owner is responsible for ensuring that:

1. The property continues to be used for its intended (and approved) purpose;
2. The Developer keeps track of, and takes care of, the property; and
3. If the Developer sells or disposes of the property during the contract period, the Developer reimburses HCDD for the share of the property's value according to the agreement.

HSFD Construction Criteria

New single-family housing that is constructed with CDBG-DR funds must meet all applicable local codes, ordinances, and zoning ordinances at the time of project completion. A Certificate

of Compliance (COC) issued as part of the chosen standard's compliance process will be required to be submitted as proof of compliance.

HCDD will offer the following unit sizes below in the HSFD Program:

Persons in Household	Bedrooms	Bathrooms	Square Feet
1-4	3	2	1,300-1,400
5 or more	4	2	1,500-1,600

Modifications to unit size will be considered for special circumstances such as access and functional needs, familial status, property lot constraints, city ordinances and financial hardships. Issuance size exceptions may be granted by the GLO. Waivers for other individual circumstances may be granted with pre-approval by the GLO. The Family must request a waiver in writing and explain the need and justification." Approved structural types for the program include stick-built structures and modular homes.

Minimum Property Standards (MPS) for CDBG-DR-funded single-family New Construction homes are outlined in the City of Houston HCDD Minimum Construction Standards for Rehabilitation, Reconstruction and *New Construction* of Single Family Housing. The requirements and standards may exceed the requirements of HUD's Housing Quality Standards (HQS) and are determined necessary to further meet the common definitions of "safe, decent, and sanitary" housing; "non-luxury, suitable amenities" housing; and "good quality, reasonably priced" housing, that is affordable to persons and families that are low or moderate income. The standards are also designed to assist in achieving consistency throughout the City of Houston for single-family New Construction residences funded with the Federal funds through Disaster Recovery programs.

The City, through its Standard Operating Procedures and its Forgivable Loan Agreement, will outline procedures for performance requirements, operational tools and interfaces associated with the construction management and oversight function. The SOP will include construction inspection information for progress and final payment requirements and Texas Real Estate Commission (TREC) compliance.

The warranty period shall commence on the date of issuance of the Certificate of Compliance (COC) for the home. The warranty periods are: 1 year (365 calendar days) for workmanship and materials; 2 years (730 calendar days) for mechanical or delivery systems, including electrical delivery systems, plumbing delivery systems, ventilation, heating and air conditioning systems; and 10 years (3,650 calendar days) for the structural warranty covering the major structural components of a Housing Unit.

Contractors shall provide to the Director all necessary final certificates, licenses, consents and other approvals of the various governmental authorities having jurisdiction, including, a permanent COC, as applicable. All COC, warranties, and other final documents will be provided to the Homeowner upon completion of the work. Housing developments must meet all

accessibility requirements at 24 C.F.R. Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794).

Construction & Site-Specific Cost Caps

The suggested maximum construction amount of each property is \$200,000; however, additional costs above the \$200,000 cap may be considered to address pre-approved site-specific conditions. Site-specific conditions cost include: Accessibility - Access and Functional Needs (AFN); resiliency/mitigation measures; municipal ordinances; environmental issues; homeowner neighborhood requirements; and land acquisition costs. Required site-specific requirements that exceed HUD’s HOME Homeownership Value limits are underwritten as direct development assistance. Homeowners who participate in the HSFD Program are not eligible for any assistance from the Harvey Homebuyer Assistance Program. The sales price for each single-family unit will not exceed the HOME and Housing Trust Fund (HTF) Homeownership Value Limits for affordable homeownership. Annually, HUD provides limits for affordable newly constructed housing based on 95 percent of the median purchase price for the Houston Metropolitan Statistical Area (MSA) using Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing.

Note: Justifiable Construction and Site-Specific costs estimated to rise above the maximum cost caps require pre-approval from HCDD Director or his/her Designee.

Site-Specific Conditions Table: New Construction

Construction Cost Cap	Site-Specific Conditions Cap*			
	Accessibility Needs	Land Development/ Infrastructure Municipal Ordinances OR Neighborhood Requirement	Environmental (Lead, Asbestos, Mold) OR Resiliency Measures	Land Acquisition
\$200,000	\$20,000	\$100,000	\$60,000	Fair Market Value

*Each site-specific condition will require prior approval based on documented unmet needs.

Maximum CDBG-DR Expenditure Per Dwelling Unit

Developer must receive written approval of a property-specific Project Budget prior to any expenditure. Developer may spend no more than \$200,000.00 on any single dwelling unit, unless the City gives written approval to an additional amount due to the strategic value of a property for the CDBG-DR program, and/or approved site-specific documented unmet needs. Per the Local Composite Bid, the amount for New Construction is based on the procured Builder's house plans (as confirmed by the Builder's engineer and architect). These costs are reviewed for reasonableness compared to the overall project cost and industry/market standard costs.

Adjustments in Asking Price

If no qualified offer is received within 60 days of first marketing a home, Developer may reduce the asking price by 5%. If no qualified offer is received after final completion followed by 60 days of best efforts in marketing a home, Developer may reduce the original asking price by up to 10%, including previous adjustments, if any. Developer may make additional price reductions only with the written approval of Grantee. In any case, Developer may reduce asking prices only after making diligent and continuous efforts to market and sell a home.

In executing a home sales agreement, Developer may not agree to a contract price that is less than the amounts described above without the written approval of Grantee, except that Developer may amend the contract price in a home sales agreement to be equal to the market value of the home as determined by a first mortgage lender's appraisal. Reduced prices will be considered to be the current market value of the home, regardless of the value determined by any prior appraisal.

Developer and Allowable Fees

Developer fees (including consulting fees) are limited to 15% of the total development costs. If Developer is acting as General Contractor and thus hiring and managing subcontractors, Developer may charge an additional fee in the form of a 5% mark-up of subcontractor costs. Developer's reimbursement requests for construction costs may include a 5% mark-up of all valid, documented costs of subcontractors who have performed construction work. However, such mark-up may not be applied to non-construction costs such as taxes, insurance, security, general requirement, or working capital costs. No such fees will be paid to Developer for any CDBG-DR property that is built by a third-party General Contractor. All General Contractors performing work on CDBG-DR-assisted projects must be properly licensed.

Developer may pay no more than 5% of the sale price as a commission to a licensed third-party real estate broker or may earn an additional fee in the same amount if Developer sells the home without a broker's assistance. Additionally, Developer may expend funds in CDBG-DR funds for marketing costs such as advertisements and flyers as noted in each NOFA. If marketing is

funded for multiple CDBG-DR homes, the costs of such marketing must be allocated to each home.

Repayment of Net Proceeds of Sale

Upon sale of a CDBG-DR-funded home, Developer will transmit the net proceeds of sale to City. Net proceeds of sale are defined as follows:

- The sale price of the home;
- (Minus) the amount of any Homeowner Financial Assistance provided to buyer, as defined herein and described on the settlement statement;
- (Minus) Developer costs of sale as documented by the settlement statement, including but not limited to real estate broker fees and seller-paid closing costs;
- (Minus) The current fair market value of any real property contributed by Developer (e.g. a lot or home), in accordance with Section V below. (Developer cannot be reimbursed for CDBG-DR-funded acquisition costs) and;
- (Plus) Any reimbursements to Developer of costs previously paid or reimbursed with CDBG-DR funds, such as pro-rated taxes and assessments.

Site and Development Restrictions

1. General Standards

All Housing Units under the HSFD Program will be required to meet Housing Quality Standards detailed under 24 C.F.R. § 982.401 and Fair Housing Accessibility Standards. Housing activities must also meet all local building codes or standards that may apply. All Single Family Homes should also incorporate resiliency solutions which may include elevating the first floor of the habitable area; windstorm protection; reinforced roofs; storm shutters; use of ENERGY STAR appliances and fixtures; and use of mold and mildew resistant products. All New Construction projects must also meet one of the Green Building Standards.

2. Minimum Property Standards (MPS)

All CDBG-DR assisted New Construction projects must, at a minimum, meet MPS at completion as well as all applicable local codes and ordinances.

3. Constructed or Substantial Improvements

The City has adopted the 2012 International Residential Code (“IRC”) (with windstorm provisions) and International Building Code (IBC) (and subsequent adoptions thereafter in accordance required IRCs and IBCs) must be met where they apply. All New Construction should be designed to incorporate principles of sustainability, including water and energy efficiency, resilience, and mitigating the impact of future disasters. Whenever feasible, HCDD will follow best practices, such as requiring applicable Professional Certifications and Standard Work

Specifications provided in the U.S. Department of Energy's Guidelines for Home Energy Professionals.

4. Green Building Standards

New housing construction must comply with ONE of the following Green Standards:

- i. ENERGY STAR® (Certified Homes);
- ii. EPA Indoor Air Plus (ENERGY STAR® a prerequisite);
- iii. Leadership in Energy and Environmental Design ("LEED®") (New Construction, Homes, or Neighborhood Development);
- iv. ICC-700 National Green Building Standard ("NGBS")

5. Elevation

The City of Houston will apply home Elevation Standards in compliance with FEMA requirements, and the City's current, more stringent, Chapter 19 Floodplain Ordinance 2018-258, effective September 1, 2018, as may be amended from time to time ("Floodplain Ordinance"). The Floodplain Ordinance defines the Houston Special Flood Hazard Area (HSFHA) as comprising both the 100-year and the 500-year floodplain that are each defined in EO 11988 and 24 C.F.R. Part 55. The City's Floodplain Management Office applies the FEMA Substantial, Non-Substantial Damage determination for buildings located within the 100-year floodplain as required by FEMA but implements the more protective HSFHA elevation standard of 500-year floodplain + two feet, or at least three feet above the highest adjacent grade where the depth is not specified. Therefore, reconstructed, and newly constructed, and substantially damaged or substantially improved residential buildings within the 100-year floodplain will be elevated to this HSFHA standard. New construction activities undertaken in the 500-year floodplain will also require elevation to this same HSFHA standard.

6. Resilient Home Construction

All CDBG-DR assisted New Construction single family projects must meet an industry recognized standard *such as* those set by the **FORTIFIED HOME Gold Level** for New Construction of single-family detached homes *or any other approved equivalent comprehensive resilient or disaster resistant building program*. Resilient standards when incorporated will increase a home's resilience to natural hazards, including high wind, hail, and tropical storms.

7. Accessibility

- a. Single Family Housing Units must meet the accessibility requirements at 24 C.F.R. Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794) and the City's Visitability Standards in City Ordinance 2003-1239. Detailed information and implementation on Visitability requirements will be detailed in the SOP. Covered multifamily dwellings, as defined at 24 C.F.R. § 100.201, as well as common use facilities in developments with covered dwellings, must meet the design and construction requirements at 24 C.F.R. § 100.205 (Design and Construction Requirements under the Fair Housing Act, 42 U.S.C. §§ 3601–3619), the design and construction requirements of the Fair Housing Act Design Manual, and the 2010 ADA

Standards for Accessible Design with HUD exceptions (79 Fed. Reg. 29671, May 23, 2014).

- b. Visitability Checklists are required for New Construction Single Family Homes for the first floor only, even if multiple floors exist:
- At least one 36-inch entrance door (preferably the main entrance) is on an accessible route served by a ramp or no-step entrance.
 - Each interior door is at least a standard 32-inch door, unless the door provides access only to a closet of less than 15 square feet.
 - Each hallway has a width of at least 36 inches and is level with ramped or beveled changes at each door threshold.
 - Each bathroom wall is reinforced for potential installation of grab bars.
 - Each electrical panel, light switch, or thermostat is not higher than 48 inches above the floor.
 - Each electrical plug or other receptacle is at least 15 inches above the floor.
 - If the applicable building codes do not prescribe another location for the breaker boxes, each breaker box is located not higher than 48 inches above the floor inside the building.

8. Unit Size Requirements

The program standard unit size will be 1,300-1,400 square feet for 3 bedrooms and 2 bathrooms. For Households with 5 or more members the unit size will be 1,500 -1,600 square feet for 4 bedroom and 2 bathrooms. Modifications to unit size will be considered by HCDD for documented special circumstances such as familial status, property lot constraints, city ordinances and financial hardships.

Developers Selection Process

The City, with approval from the GLO, will administer a Subrecipient, Developer and Contractor Selection process for this portion of the HSFD Program. The HSFD Program prioritizes New Construction within existing defined Concerted Revitalization Areas (CRA). These are areas with plans on how to address housing issues that include the Complete Communities. Plans represent the community's vision for improving the quality of life in their neighborhoods. A Nonprofit or For Profit Developer is a private entity with an ownership interest in the project. The City will entrust the qualified Developer with funds to complete each project. Developers must have site control (ownership or lease in some cases) and must plan, obtain permits, and manage the project from start to finish, assuming part of the risk of the project.

The solicitation will clearly establish the process and acceptance period, threshold criteria (including applicable building codes), selection criteria, and the award process. Selected projects must be completed within 18 months of the effective date of the contract, unless otherwise extended by the GLO. Project selection criteria and process information will be established in the

program’s Notice of Funding Opportunity (NOFA).

Developers and housing counselors (which may be hired by the Developers or City) will work to assist program Applicants from inception to close-out of their recovery needs associated with the HSFD Program for which they participate. It is recommended that the Developer establish a single point of contact for each Applicant to ensure they have the immediate contact information and support to be successful in their long-term recovery efforts. As applications are being accepted and reviewed for determinations of eligibility to participate in the HSFD Program, each beneficiary Applicant must be counseled and made aware of their application status.

Eligible Nonprofit/For Profit Developers

1. Developers acting individually or as participants in a limited partnership (LP) or limited liability corporation (LLC):
 - Developers, Contractors and Subrecipients
 - Units of local government
 - Faith-based organizations
2. Developers and Development 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.
3. Developers and Development team members will have a proven track record of successful development of at least five single-family housing developments. The Applicant must have financial and organizational capacity to complete the project.
4. Individuals, Nonprofit or For Profit developer owners, principals, development/borrowers or general Contractors may not be “debarred” as cited on federal and state debarment lists in accordance with 24 C.F.R. 570.609, as well as other applicable laws.
5. Developers 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.

Scoring Criteria

Applications and proposals submitted under a related NOFA 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. Scoring 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
- Housing designed with resilient features.

Awardees are selected by an internal panel composed of HCDD staff from across the Department. The Scoring Criteria described above is tabulated and examined by the panel. While the scores do inform the selection, the raw scores do not guarantee selection. Awards are ultimately up to the discretion of the selection panel. Proposals under subrecipient awards will also be subject to review. Project locations will be determined upon assessment of available lots and community impact. All awarded applications will be evaluated to confirm compliance with environmental and Affirmatively Furthering Fair Housing (AFFH) requirements, including GLO AFFH review.

Nonprofit/For Profit Developer Application

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

1. Experience and Financial Capacity - Applicants must have a documented capacity to construct or develop single family 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 property.
2. Development Financial Analysis - The underlying debt and operating expenses of the property will be reviewed to determine if the project is feasible during the Compliance Period and demonstrates income adequate to cover operating expenses and applicable construction period. Sources and uses of funds will be reviewed to determine the adequacy of the funding to complete the project.
3. Site Control and Market Analysis - Developers will be either the current owner of the property or at the time of NOFA application by having a binding contract to purchase the property. The site and market will undergo an analysis to review the location, area amenities and market rent comparable.
4. Third Party Reports - Applicants will be required to submit third party reports at the time of application or during underwriting to include a Survey, Phase I Environmental report, Appraisal (appraisals must be URA compliant) and Market Study.
5. 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 by 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.

Affirmative Marketing & Outreach Plan

The City, through HCDD, is committed to affirmatively furthering fair housing through established affirmative marketing policies that are designed to improve community planning to overcome impediments to fair housing. Affirmative marketing efforts for the disaster funding will include the following:

- HUD's Affirmative Fair Housing Marketing Plan (AFHMP) Single Family regulations are required. All Single Family Nonprofit or For Profit Developer Applicants seeking participation in the HSFD Program with five or more units must complete AFHMP Single-Family form as specified in 24 C.F.R. 200.625, and in accordance with the requirements in 24 C.F.R. 200.620 (see Appendix I). The purpose of this AFHMP is to help Applicants offer equal housing opportunities regardless of race, color, national origin, religion, sex, familial status, or disability. The AFHMP helps single-family Developers to effectively market the availability of housing opportunities to individuals of both minority and non-minority groups that are least likely to apply for occupancy. Affirmative fair housing marketing and planning is required of all New Construction, substantial rehabilitation, and existing project marketing and advertising activities.
- It will ensure that homes financed through the HSFD Program are affirmatively marketed to the public at large and to specific groups underrepresented in the neighborhood of the property.
- This plan will ensure that outreach and communication efforts reach eligible homeowners and renters from all racial, ethnic, national origin, religious, familial status, disabled, "special needs," and gender groups. For each project or program, notification to these populations will include:
 - Fully informed of vacant units available for sale
 - Encouragement to apply for purchase
 - The opportunity to buy the unit of their choice
- The Affirmative Marketing & Outreach Plan will give detailed information on how the City plans for effective outreach to all groups of homeowners, landlords, and renters mentioned above.
- The goal is to ensure that outreach and communication efforts reach eligible survivors from all 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, notification to these populations will include information on vacant homes available for sale; information on how to apply for home purchase; opportunities to buy the home of their choice.

Particular emphasis will be focused on successful outreach to LMI areas whose communities were most impacted by Hurricane Harvey's flooding. 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 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 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.
- Applications and forms will be offered in English and other languages, including Spanish, Vietnamese, Chinese, Arabic and French, prevailing in the region in accordance with Title VI of the Civil Rights Act of 1964, including persons with disabilities (24 C.F.R. 8.6), Limited English Proficiency (LEP) and other fair housing and civil rights requirements, such as the effective communication requirements under the Americans with Disabilities Act. Every effort will be made to assist such Applicants in providing reasonable accommodations.
- 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 shall use the fair housing logo in HSFD Program advertising, post fair housing posters and related information, and, in general, inform the public of its rights under fair housing regulations and laws. HCDD will regularly evaluate 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 and 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

The City will maintain adequate documentation to show that selection processes were carried out in an open, fair, uniform, and thorough manner and to ensure that federal (2 C.F.R. § 200.318–200.326), state, and City requirements are met. Retained records will include the following information, but not limited to, the following:

- Rationale 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, solicitations should clearly identify any requirements included in the bid/purchase that are not included in the CDBG-DR Subrecipient agreement between the GLO and the City ("CDBG-DR Contract").

Goods and services must be procured using the federal procurement and contract requirements outlined in 2 C.F.R. § 200.318 – 200.326. These procurement requirements must be followed in order for costs to be deemed eligible for reimbursement of CDBG-DR funds provided by HUD. The City is required to follow state and local procurement law and policies, as well as the additional requirements stated in 2 C.F.R. Part 200, as applicable.

Composite pricing will be utilized for New Construction. This pricing will be developed utilizing the NOFA process and average costing and shall be verified as reasonable and customary by utilizing an industry standard independent pricing product. This becomes the scope of work and will be priced in conjunction with a line-item price list that will be produced out of the original NOFA with appropriate reasonable and customary verification.

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. 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 (e.g., Request for Proposals, Request for Qualifications, Invitation for Bids, Small Purchase, etc.), an executed contract between the selected bidder and the City must document the period of performance, the work to be completed, the agreed price or not to exceed amount, and the Contractor or provider's required compliance with all applicable federal, state, and local requirements. If there is a conflict between federal, state, and local laws and regulations regarding procurement, the more stringent law or regulation will apply.

Additionally, Developers, and Contractors are required to achieve compliance with Section 3 (24 C.F.R. Part 135), including the City's Section 3 Plan. 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. The Developers 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." (2 C.F.R. § 200.321).

Furthermore, HUD requires that 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, as well as Federal Register notices and updates related to Hurricane Harvey. To meet this requirement, the City must make the following applicable items available to post on City's disaster recovery website (www.recovery.houstontx.gov): procurement policies and procedures; description of services or goods currently being procured by the City; Subrecipient and state administrative contracts and a summary of all procured contracts (as defined in 2 C.F.R. § 200.22), including those procured by the City (e.g., a summary list of procurements, the phase of the procurement, details of ongoing procurement processes, requirements for proposals, etc.). Updated summaries must also be posted monthly on the website. HUD posts guidance related to this requirement on the HUD Exchange website (www.hudexchange.info).

Financial Management

The City of Houston, as a CDBG-DR Subrecipient, is required to follow the financial administration requirements outlined in 24 C.F.R. Part 570, 2 C.F.R. Part 200, and applicable Federal Registers. These standards help ensure that the financial systems put in place by the City:

1. 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.
2. Document that funds have been used only for authorized purposes. (CDBG-DR-funded activities must be eligible costs and must meet a National Objective in accordance with 24 C.F.R. Part 570.
3. Maintain accounting records showing the sources and uses of funds and displaying funds authorized, obligated and unobligated balances, assets, liabilities, outlays or expenditures and income.
4. Establish effective internal controls over all cash, real and personal property, and other assets acquired with program funds.
5. Track actual program cost against program budget in a manner that relates to program productivity and accomplishments.
6. Use Uniform Administrative Requirements outlined in [2 C.F.R. Part 200](#) principles to determine whether program costs are reasonable, allowable, and can be allocated, either directly or indirectly.
7. Maintain source documentation for accounting records.
8. Implement procedures for cash management that permit the timely disbursement to Applicants, Developers and Vendors for complete and accurate monitoring and reporting; Comply with [2 C.F.R. Part 200 Subpart F](#).
9. Conduct single or program specific audits in accordance with the applicable federal requirements. Vendors and Contractors employed by the City will be required to comply with audit requirements as applicable.

The roles and responsibilities described below are related to the financial management of the City'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 Vendors, Contractors and beneficiaries.

- iii. Housing and Community Development Department (HCDD) – HCDD is the grant manager for the City's Hurricane Harvey CDBG-DR allocation and is responsible for administering all programs outlined in the City's Local Action Plan.
 - a. Disaster Recovery and Single-Family Divisions: Both Divisions are responsible for CDBG-DR program development and oversight, as well as community outreach.
 - b. 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, the GLO's Texas Integrated Grant Reporting (TIGR) system, and reconciling budgets and expenditures. The Finance 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
 - c. 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 the GLO.

Key Funding Objective

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

Duplication of Benefits

Many federal and state agencies may be involved in responding to Presidentially declared major disasters under the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974 (the "Stafford Act"). The Stafford Act includes provisions prohibiting a Duplication of Benefits ("DOB"). These provisions prohibit the use of federal disaster funds to provide disaster recovery assistance when insurance providers or other federal or state agencies have already funded all or a portion of the activity. Certain Public Laws appropriating CDBG-DR funds and applicable regulations may also include restrictions on DOB or a prohibition on the use of CDBG-DR funds to meet a match, share, or contribution requirement for any other federal program.

HCDD will ensure compliance with the Stafford Act through collection, analysis, and verification of third-party benefits received by Applicants for purposes of repairs, and/or other duplicate services offered through the HSFD Program. Each application will be reviewed to determine and if any funds were received for the same purpose or if previous funding awarded to the Applicant

was appropriately used on the home. The Applicant must have an unmet need to move forward in the HSFD Program. The City must determine the Applicant's unmet needs first and then calculate the Applicant's DOB amount. Applicants must provide documentation of any insurance, Federal Emergency Management Agency (FEMA), Small Business Administration ("SBA") funding or 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. Private insurance companies will be notified and asked to verify/confirm values received by the insured.

Any sources of funds previously received for the same recovery will be deducted from the award calculation based on the DOB calculation. Any amount that is determined to be an allowable activity will not be included in the reduction of the final award. An allowable activity includes activities that are excludable from the DOB calculation per the Stafford Act or a HUD waiver or guidance.

Through a Subrogation Agreement, the Applicant shall assign to the City any future funds received for the same purpose as those awarded or provided for with CDBG-DR funds. The Applicant is obligated to certify that he or she understands this requirement as outlined in detail within the subrogation terms included in the Applicant's contract with the City.

To comply with DOB requirements, the City of Houston will design SOPs to ensure that any amounts determined to be a DOB are deducted from the final assistance award amount for each Applicant across the eligible activities of all programs.

Environmental

In accordance with the HUD regulations for implementing the National Environmental Policy Act at 24 C.F.R. Part 58, HCDD must perform and complete Environmental Reviews of proposed programs, projects, and activities that will utilize Hurricane Harvey CDBG-DR funds. These funds will be administered by GLO, which will review all levels of Environmental Review documentation submitted before issuing environmental clearance for each proposed action to utilize funds. GLO will maintain an Environmental Review Record (ERR) of approved documentation as a compilation of each level of Environmental Review performed under the City's CDBG-DR funded programs. HCDD maintains an ERR of all submitted and GLO-approved compliance documentation. HCDD also maintains a record of site-specific documentation that demonstrates environmental compliance of GLO-approved construction activities.

HCDD's ERR will compile all levels of Environmental Review documentation required under 24 C.F.R. § Part 58. This includes HUD required forms and checklists submitted and approved by GLO for activities determined exempt according to 24 C.F.R. § 58.34 or those that are Categorically Excluded Activities Not Subject to the Section 58.35 Statutes (24 C.F.R. §

58.35(b)). These contain documentation of compliance with the statutes and regulations listed at 24 C.F.R. § 58.6 (e.g. Floodplain Disaster Protection Act of 1973, Coastal Barriers Resources Act, as amended by the Coastal Barrier Improvement Act of 1990, and Airport Runway Clear. The ERR will also contain GLO-approved site-specific environmental assessments of proposed actions per 24 C.F.R. § 58.40.

Where considered appropriate, one or more of the City's CDBG-DR funded programs will be subject to a tiered Environmental Review process in accordance with 24 C.F.R. § 58.15. The tiered approach allows for a Tier I level broad environmental analysis (Tier I Broad Review) of proposed policy and action(s) in the early stage of strategic development when site-specific analysis is not yet feasible, yet those actions are known to be geographically and/or functionally aggregated. The Tier I Broad Environmental Review thus identifies environmental compliance factors that can be analyzed and resolved with policies and decisions at this stage, to streamline or narrow the focus of the Tier II site-specific environmental assessment of potential environmental impacts once construction sites are known and appropriate Mitigation measures can be specified. Therefore, HCDD's ERR will also maintain the GLO-approved versions of all Tier I Broad Reviews and Tier II site-specific environmental assessments performed.

While not currently anticipated, certain proposed actions undertaken by the City with CDBG-DR funds may be determined to have a potentially significant impact on the human environment and therefore require an Environmental Impact Statement in accordance with 24 C.F.R. § 58.37. In the event such an effort become necessary, all required documentation developed during the process would also become part of HCDD's ERR.

Guideline Updates/ Waivers /Public Comments

HCDD will publish all Program Guidelines on the City's disaster recovery website (www.recovery.houstontx.gov). All guidelines will initially be published for a 30-day public comment period. Any subsequent changes to the Guidelines after approval by the GLO will be posted for a minimum of seven days for public comment and the latest versions available on the City's website.

These Guidelines have been submitted to the City Council of the City of Houston, Texas, pursuant to and shall be governed by City of Houston Ordinance No. 2005-1395, as amended by Ordinance No. 2018-121, including its provisions regarding amendments, modifications and corrections to these Guidelines and the Program to which they relate, provided that such amendments, modifications and corrections shall also be subject to and must be done in compliance with the requirements set forth herein.

As the CDBG-DR program matures, it is possible there will be requests for waivers and alternative requirements to these Guidelines. These requested changes and waivers must be consolidated, reviewed, and approved by the GLO and/or HUD, as applicable.

To request a waiver, HCDD must submit a written request on HCDD letterhead that includes the following:

1. The Guideline for which the waiver applies
2. The requirement to be waived or altered
3. Alternative requirement or language
4. Detailed statement of how the request is necessary to address unmet recovery needs.

General Program Waiver Request

A General Program Waiver Request includes a requested change to the Guidelines for administrative, eligibility, National Objective, expenditure deadline, or Overall Benefit requirements, for which approval from the GLO is needed within thirty (30) days. The request must demonstrate that the funds will be used for an eligible CDBG-DR-eligible activity and meet a national objective.

Waivers of this category must be published for seven (7) days and public comment received and addressed before implementation.

Program Income

Any Program Income, as defined at 24 C.F.R. § 570.500 (a), earned as a result of HSFD-program-funded activities will be subject to the rules outlined in 83 Fed. Reg. 5844. Program Income received before closeout of the HSFD-grant is subject to the GLO and HUD requirements and must be used in accordance with the City's Harvey Local Action Plan. To the maximum extent feasible HUD requires that program income shall be used or distributed before additional withdrawals from the U.S. Treasury are made.

Monitoring

HCDD's Compliance and Monitoring Plan (Plan) will outline principles of governance and standards and management, supporting the City of Houston's (City) HSFD Program. The Plan is mandated to establish a coherent governance structure, management standards and content requirements for policies and processes to manage compliance risk factors of the Program.

The Plan will outline the activities required by the City and the records required to document these activities. In addition to monitoring, this includes activities required to correct any issues raised as part of the monitoring process and documentation of activities required to remedy these issues. The Plan will also aim to do so in a way that balances HCDD's need to examine a

sufficient sample of all Program applications processed by Contractors against the constraint of limited resources within the City for this purpose.

HCDD will formulate its own monitoring plan, which will encompass all compliance-related issues that are specified in the Guidelines and Standard Operating Procedures (SOP); and HCDD will establish detailed tools and checklists to fulfill the Program requirements regarding:

1. Case Management/Intake Phase
2. Planning
3. Pre-Construction
4. Construction
5. Close-out

Cross Cutting Federal Regulations

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

Americans with Disabilities Act (ADA)

The Americans with Disabilities Act of 1990 (ADA) prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, state, and local government services, public accommodations, commercial facilities, and transportation. It also mandates the establishment of telecommunications device for the deaf (TDD)/telephone relay services. The City of Houston Housing and Community Development Department (HCDD) takes affirmative steps to ensure that people with disabilities have equal access to the programs offered by HCDD, and that any services are delivered in the most integrated manner possible. HCDD's mandate to conform to the requirements of ADA flows down to every stakeholder, including, Vendors, Contractors and Nonprofit or For Profit Developers.

Davis-Bacon Labor Standards (as applicable)

The Davis-Bacon Act and Related Acts (DBRA) applies to Contractors and subcontractors carrying out certain federally funded or assisted construction contracts in excess of \$2,000 and requires, the payment of the prevailing wages (including fringe benefits) for corresponding work on similar projects in the area. In some cases, City of Houston Prevailing Wage Law is in effect. In the event of a difference in the prevailing wage rate between the rates of the funding entity (e.g. the federal government) and the City, the higher prevailing wage rate must be adhered to and made applicable. For certain federally assisted prime construction contracts of more than \$100,000 subject to the DBRA, Contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and

mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, HCDD must follow the reporting requirements per HUD and the U.S. Department of Labor regulations. This requirement also extends to HCDD's sub-recipients and Contractors.

Equal Employment Opportunity

Executive Order 11246, Equal Employment Opportunity, as amended, prohibits federal Contractors and federally-assisted construction Contractors and Subcontractors who do over \$10,000 in government business in one year from discriminating in employment decisions based on race, color, religion, sex, sexual orientation, gender identity, or national origin. The Executive Order also requires government Contractors to take affirmative action to ensure that equal opportunity is provided in all aspects of their employment. This regulation is adhered to within HCDD programs.

Fair Housing

The Fair Housing Act requires all grantees and/or Developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability, or marital status. HCDD enforces the Fair Housing Act by ensuring that all grantees, and/or Developers meet the applicable Fair Housing and Affirmative Marketing requirements, provide a marketing plan, and report on compliance in accordance with the Fair Housing Act and the associated forms on HCDD's website, where applicable. The Affirmative Marketing Plan must comply with applicable Fair Housing Laws and demonstrate how the Applicant will affirmatively further fair housing throughout applicable HCDD disaster recovery programs.

Fair Labor Standards Act of 1938, as Amended

The Fair Labor Standards Act of 1938, as amended (FLSA), establishes the basic minimum wage standards work and requires the payment of overtime, for certain employees, at the rate of at least one and one-half times the basic hourly rate of pay for hours worked after 40 hours of work in a workweek. These labor standards are applicable to the entire construction contract, regardless if CDBG-DR funds finance only a portion of the project.

Limited English Proficiency

Federal Executive Order 131661 requires HCDD and all satellite offices, programs, Contractors,

Subcontractors, and/or Developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf/hard of hearing. HCDD ensures fair access through the implementation of a Language Assistance Plan (LAP), which includes non- English-based outreach, translation services of vital documents, free language assistance services, and staff training. Refer to the “Language Assistance Plan” Provision of Language Assistance Services for additional guidance and protocols.

Minority- and/or Woman-Owned Business Enterprises

The Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned Business Enterprises (MBEs). 2 C.F.R. § 200.321 requires the non-federal entity to take all necessary affirmative steps to assure that minority businesses, women’s business enterprises, and labor surplus area firms are used when possible and for the non-federal entity to require its prime Contractor, if Subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) of 2 C.F.R. § 200.321(b).

Section 3

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/sSubcontractors with the Section 3 requirements, as outlined in 24 C.F.R. 135.32. Section 3-eligible residents are low- and very low- income persons who live in the metropolitan area or non-metropolitan county where a HUD-assisted project for housing or community development is located and people who live or reside in public or government assisted housing. Compliance with Section 3 is required by 24 C.F.R. Part 135 and the executed agreement between Developers and the GLO.

Residential Anti-Displacement

All Developers and Subrecipients must follow HCDD’s Residential Anti-Displacement Policy.

Uniform Relocation Act and Real Property Acquisition (URA)

The Program staff will comply with URA and real property Acquisition as CDBG-DR federal funds, administered by HCDD and disbursed to Developers, Subrecipients and direct contractors and/or beneficiaries, are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA) and/or Section 104(d) of the Housing and

Community Development Act of 1974. The applicable federal regulations are located at 49 C.F.R. Part 24 (implementing the Uniform Relocation Act or “URA”), 24 C.F.R. Part 42 (implementing section 104(d) (42 U.S.C. § 5304(d)) of the Housing and Community Development Act (42 U.S.C. § 5304(d)) (“Section 104(d)”), and in the Tenant Assistance, Relocation and Real Property Acquisition Handbook (HUD Handbook 1378). The March 5, 2013 Federal Register Notice (FR-5696-N-01) waived the one-for-one replacement requirements at Section 104(d)(2)(A)(i)-(ii) and (d)(3) and 24 C.F.R. § 42.375. All Developers must follow HCDD’s Residential Anti-Displacement Policy.

Developers must provide the following benefits to Households or businesses that they displace:

- Relocation advisory services;
- A minimum of 90-day notice to vacate;
- Reimbursement for moving expenses; and
- Payments for added cost of renting or purchasing comparable replacement housing.

HCDD programs subject to the URA and Section 104(d) include the CDBG-DR programs. HCDD policies and procedures, Notice of Funding Availability (NOFA), Applicant certifications and/or written agreements for funds subject to the URA and Section 104(d) shall refer to federal and state rules, as appropriate.

Complaints & Appeals

Complaints

The City of Houston Housing and Community Development Department (HCDD) welcomes feedback and complaints from any member of the public. Complaints are accepted in writing or over the telephone. Complaints will be responded to in writing within fifteen (15) business days. For further information, please refer to the HCDD recovery website, <https://recovery.houstontx.gov>

Contact Information

HCDD Mailing Address

Housing and Community Development Department
2100 Travis St., 9th Floor
Houston, TX 77002
Attn: Planning & Grants Management
HCDD Email Address
HCDDComplaintsAppeals@houstontx.gov

HCDD Business Hours

Monday through Friday
8:00 AM to 5:00 PM

Appeals

HCDD's appeal process will be provided in writing to any appellant upon request or receipt of an appeal, and the same process will be clearly posted on the City's websites, including disaster recovery websites and entitlement program websites. HCDD will keep a record of each appeal that it receives and include all communications and their resolutions therein.

Applicants have the right to appeal decisions made on their program file based on the following (each a "Reason for Appeal"):

- Non-receipt of award through NOFA process
- Denied services through any of HCDD's programs
- Denial of a request for resolution for tax credits
- Program eligibility determination
- Program award calculation
- Procedural error where the application was not processed by program staff in accordance with the program guidelines
- Affirmatively Furthering Fair Housing

Appeals must be made in writing, and may either be in letter form, through HCDD's website, or on HCDD's Appeal Request Form (available on HCDD's website or at the HCDD office). Written appeals will be accepted either by mail or in-person at the HCDD office. To be considered

complete, an appeal must contain the following information:

- Name
- Property address
- Mailing address (if different from Property Address)
- Phone number
- Application number (if applicable)
- Email address
- Reason for Appeal

Appeals must be made within thirty (30) days from the date of the notice of the determination on the Applicant's file that generated the appeal. Upon receipt of an appeal, HCDD will respond in writing to the appellant of the program area's decision regarding the appeal and provide the basis thereof within thirty (30) days.

Appeals Review Committee

Should the initial appeal process with the program area not achieve a resolution amenable to the appellant, the appellant has the right to escalate the appeal, in writing, to the Appeals Review Committee (ARC). The appellant may only escalate the appeal after the completion of the initial program area process.

The ARC will process the escalated appeal within thirty (30) days, as practicable. The ARC will transmit its decision to the appellant in writing.

Texas General Land Office

Should the appellant not be satisfied with the outcome determined by the ARC, they have the option to dispute the decision by sending an appeal in writing to the GLO. The appellant has thirty (30) days to submit an appeal directly to the GLO following receipt of the ARC's decision regarding their appeal.

If no word on a pending appeal is received by HCDD within a reasonable time by the GLO, HCDD will designate the appeal decision made by the Appeals Review Committee as the final decision and consider the matter closed.

Contact Information:

HCDD Mailing Address

Housing and Community Development Department
2100 Travis St., 9th Floor
Houston, TX 77002

Attn: Planning & Grants Management
HCDD Email Address
HCDDComplaintsAppeals@houstontx.gov

HCDD Business Hours
Monday through Friday
8:00 AM to 5:00 PM

GLO Mailing Address
Texas General Land Office
PO Box 12873
Austin, TX 78711-2873
ATTN: GLO-CDR
GLO Email Address
cdr@recovery.texas.gov
GLO Telephone
(844) 893-8937
(512) 475-5000

Record Keeping, Retention and File Management

In accordance with HUD regulations, the GLO as the grantee and the City as the Subrecipient follow the records retention requirements stated in 2 C.F.R. Part 200, Subpart D, which includes financial records, supporting documents, statistical records and all other pertinent records. HCDD has established recordkeeping and retention requirements for the Developer and Contractor agreements in accordance with the guidelines stated in 24 C.F.R. § 570.503(b)(2).

Record retention is a requirement of the program. Records are maintained to document compliance with program requirements and federal, state, and local regulations and to facilitate a review or audit by HUD. The HCDD Records Management Program seeks to ensure that:

- HCDD complies with all requirements concerning records and records management practices under federal and state regulations;
- HCDD has the records it needs to support and enhance ongoing business and citizen service, meet accountability requirements, and community expectations; and
- These records are managed efficiently and can be easily accessed and used for as long as they are required.

CDBG-DR program records are stored as cost-effectively as possible and when no longer required they are disposed of in a timely and efficient manner based on HUD Handbook 2225.6, Records Disposition Schedules and HUD Handbook 2228.2.

Reporting

As a recipient of CDBG-DR funds, the City, working with the GLO, will establish reporting

requirements in accordance with 24 C.F.R. § 570.503(b)(2). HCDD has established its own reporting requirements in accordance with the provisions as found in 2 C.F.R. Part 200, Subpart D, as applicable:

- At execution of agreements;
- Monthly;
- Quarterly;
- Annually; and
- As required.

Access to Records (State – City)

24 C.F.R. § 570.490, Recordkeeping requirements and 2 C.F.R. Part 200, Subpart D, Record retention and access:

“(c) Access to records.

- 1) Representatives of HUD, the Inspector General, and the General Accounting Office shall have access to all books, accounts, records, reports, files, and other papers, or property pertaining to the administration, receipt and use of CDBG funds and necessary to facilitate such reviews and audits.
- 2) The State shall provide citizens with reasonable access to records regarding the past use of CDBG funds and ensure that units of general local government provide citizens with reasonable access to records regarding the past use of CDBG funds consistent with State or local requirements concerning the privacy of personal records.”

The availability of records is subject to the exceptions to public disclosure set forth in the Texas Public Information Act, Chapter 552 of the Texas Government Code, (“TPIA”). TPIA requests must be made in writing to the City’s Public Information Officer and will be processed in accordance with the procedures set forth therein.

Audit Requirements

In accordance with 2 C.F.R. Part 200, Subpart F, non-federal entities that expend \$750,000 or more during their fiscal year in federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions therein. HCDD is responsible for conducting reviews of these single or program-specific audit reports and for coordinating the issuance of management decisions for audit findings relating to HCDD-provided federal funds.

Fraud, Waste and Abuse

The City will assess all program systems, processes and Standard Operating Procedures from an anti-fraud, waste, and abuse perspective. The City will provide anti-fraud training to program staff. Anyone with information regarding known or suspected misappropriation of funds or

resources is encouraged to report the information to the City by sending a written report via U.S. mail to the following address: City of Houston, Housing and Community Development Department, 2100 Travis Street, 9th floor, Houston TX 77002.

Conflicts of Interest

The program requires compliance with all applicable conflict of interest provisions, including but not limited to 24 C.F.R. § 570.489(h), 24 C.F.R. § 570.611, and 2 C.F.R. Part 200.

The program requires all program staff to disclose any relationship with an Applicant, Vendor or Contractor. Program staff, sub-grantees, program administrators, Vendors and Contractors who disclose such relationships are placed in roles where there is no opportunity for them to display favoritism or collude to financially or otherwise benefit themselves, the Applicant, Vendor or the Contractor. For example, a customer representative may not perform work on the application of Family. For purposes of this regulation, “Family” is defined to include spouse, parents, mother-in-law, father-in-law, grandparents, siblings, brother-in-law, sister-in-law, and children of an official covered under the CDBG conflict of interest regulations at 24 C.F.R. § 570.489(h).

HCDD may consider granting an exception to the conflict of interest provisions per 24 C.F.R. § 570.489(h)(4) if HCDD has determined that the Developer/Subrecipient, Vendor or Contractor has adequately and publicly addressed all the concerns generated by the conflict of interest and that an exception would serve to further the purposes of Title I of the Housing and Community Development Act of 1974, as amended and the Developer/Subrecipient has complied with the requirements listed in 24 C.F.R. § 570.489(h)(4)(i) and (ii). HCDD considers the factors set forth in 24 C.F.R. § 570.489(h)(5), such as whether the exception provides a significant cost benefit or essential degree of expertise; whether the opportunity was provided for under open competitive bidding or negotiation; whether the person affected is an LMI person, whether the affected person has withdrawn from his or her functions or responsibilities; whether the interest or benefit was present before the affected person was in a position to benefit from the conflict of interest; or whether undue hardship results from failure to grant the exception.

Confidentiality/Privacy

The Program is committed to protecting the privacy of all individual stakeholders, including the public and those individuals working on the program. The program’s policies describe how information is to be handled and protected. The purpose of this privacy policy is to establish when and under what conditions certain information relating to individuals may be disclosed.

The data collected from Applicants for the Program may contain personal information on individuals that is covered by applicable federal and state laws, regulations, and rules. Effective September 1, 2019, the Texas Public Information Act makes confidential the personal identifying information of any person who applies for federal or state disaster funding. These laws provide

for confidentiality and restrict the disclosure of confidential and personal information. Unauthorized disclosure of such personal information may result in personal liability with civil and criminal penalties. The information collected may only be used for limited official purposes:

- Program staff may use personal information throughout the award process to ensure compliance with program requirements, reduce errors, and mitigate fraud and abuse.
- Independent auditors, when hired by the City to perform a financial or programmatic audit of the program, may use personal information in determining program compliance with all applicable HUD and federal regulations, including the Stafford Act, CDBG-DR requirements and State and local law.
- HCDD may disclose personal information on an Applicant to those with official Power of Attorney for the Applicant or for whom the Applicant has provided written consent to do so.

Organizations assisting HCDD in executing the CDBG-DR Program must comply with all federal and state law enforcement and auditing requests, including, but not limited to requests from HUD, FEMA, FBI, Office of the Comptroller, the HUD Office of the Inspector General, and the GLO.

Program Closeout

HCDD assigned program staff will coordinate all required file documentation with Homeowners and Contractors necessary for verification of completion of construction to program requirements. File documentation will be reviewed for approval of completion, closeout and proper record keeping requirements. In accordance with HCDD approved SOP, the HCDD assigned project staff will ensure compliance with program construction requirements.

Definitions

Acquisition: The process of purchasing or obtaining Real Property at 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 C.F.R. § 570.201(a).

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. (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 Income (AMI): 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.

Builder/Contractor. (Used interchangeably) A person who contracts to construct or repair houses or buildings and/or supervises building operations.

Builder Assignments: An assignment made by the City or its designee of homes for construction to a qualified pool of builders.

Buyout: Purchase of an eligible property at the fair market value of the land and structures with the intent to reduce risk from future flooding or to reduce risk from future hazard. Buyouts are properties within defined Disaster Reduction Risk Areas (DRRA), determined in consultation with county and local governments such as areas within the 100-year Floodplain and/or in the highest risk areas as defined by FEMA flood map "V Zone." The property acquired will be dedicated and maintained in perpetuity for a use that is compatible with open space, recreational use, or Floodplain and wetlands management practices. Buyout-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).

Case Management: The process of working with Applicants and their families through clear and transparent communication to understand the program's housing options, determine eligibility, navigate the construction process, execute necessary documentation, and close out the project while decreasing barriers to participate in the program.

Certificate of Compliance: The document issued by the City of Houston Permitting Center For

New Construction/remodels when all inspections have been performed and approved.

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

Damage Assessment: An inspection by a certified or licensed inspector (HQS, TREC, or similar license) to specifically and clearly document storm-related property damage and the cost to repair according to local code via photographic evidence and detailed narratives.

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 C.F.R. § 55.2(b)(1).

Environmental Review: 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. 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.

Family: The term "family" means all persons living together in the same Housing Unit, as further defined under 24 C.F.R. § 570.3.

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

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.

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). 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.

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, 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 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 C.F.R. § 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 C.F.R. § 982.401.

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

- Very 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.

Minimum Property Standards (MPS): Means the Minimum Property Standards (MPS) established in HUD Handbook 4910.1, as amended or superseded. MPS, as read in the context of these guidelines, encompasses Housing Quality Standards established by HUD to provide "decent, safe and sanitary" housing.

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.

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, and the demographics to receive concentrated attention. The needs assessment will also include an assessment of the types of public services activities that may be needed to complement the program.

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 C.F.R. § 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.

Recapture: The recapture option is a mechanism to recapture all or a portion of the direct subsidy if the Applicant decides to sell the house within the Compliance Period at whatever price the market will bear.

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 C.F.R. § 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 C.F.R. § 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 C.F.R. § 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 C.F.R.§ 59.1)

Texas Integrated Grant Reporting (TIGR): TIGR is the GLO system of record for all CDBG-DR grant management and reporting.

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.

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 homeowner assistance needs. Upon approval, the vendor may implement the Program or act on behalf of the City.

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