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Community Housing Development Organizations (C.H.D.O.)

POLICIES MANUAL

Home Investments Partnership Program

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I. HOME Investment Partnerships Program

A. HOME Objectives

The National Affordable Housing Act of 1990 established the HOME Investment Partnerships (HOME) Program. This federal program is designed to strengthen public-private partnerships and increase the supply of decent, safe, sanitary, and affordable housing for very low- and low-income families. The Urban County Program (UCP) receives an annual federal entitlement of HOME funds to implement the Act locally.

HOME funds are used to achieve the following objectives:

1. To provide decent, affordable housing to lower-income households.
2. To expand the capacity of non-profit housing providers.
3. To strengthen the ability of state and local governments to provide housing.
4. To leverage private sector participation.

B. Community Housing Development Organizations

The UCP allocates no less than fifteen percent (15%) of its annual HOME funds to Community Housing Development Organization (CHDO) activities. Funds are distributed annually through an application process to entities that propose projects or programs aligned with HOME objectives.

A Developer, Owner, or Sponsor may be a for-profit or nonprofit organization, or an individual (other than a single-family owner-occupant) seeking HOME funds for an eligible activity.

A CHDO is a private nonprofit organization whose purpose includes providing decent, affordable housing to low- and moderate-income households, as documented in its charter, articles of incorporation, resolutions, or bylaws. While Developers, Owners, or Sponsors may apply for HOME funding, only certified CHDOs are eligible to apply for the HUD-mandated set-aside portion of local HOME funds. See the **CHDO Qualifications Checklist** (Exhibit "A") for specific organizational requirements.

C. CHDO Program Overview

The County is committed to working across eligible Hidalgo County neighborhoods to expand and improve the supply of affordable housing, thereby creating more opportunities for low- to moderate-income households to become homeowners.

The primary purposes of the CHDO Single-Family Home Development Program are to:

- Leverage available resources to increase affordable housing options through community developers.
- Provide homebuyer assistance through CHDOs.
- Expand homeownership opportunities for families earning less than 80% of the Area Median Income (AMI).

This program seeks single-family home designs that support long-term affordability and provide meaningful benefits to low- and moderate-income households. Once CHDO-developed homes are sold to qualified homebuyers, the County's loan will be repaid or otherwise satisfied.

HOME funding is the primary source for developing new single-family homes under this program. The UCP staff will administer the program in accordance with HUD-approved regulations. The UCP Director retains approval authority, as outlined in CHDO and homebuyer agreements, and may delegate this authority as necessary.

II. Definitions

Acquisition – All acquisitions must comply with the requirements of 49 C.F.R Part 24, the Uniform Relocation Assistance Act and Real Property Acquisition Policy of 1970, as amended (URA), and the HCDD Uniform Acquisition Policy at <https://www.houstontx.gov/housing/compliance.html>.

Affordability Period – The minimum period of time during which income-eligible households must occupy the property and comply with the HOME rules and regulations. To ensure that HOME investments yield affordable housing over the long term, HOME imposes occupancy requirements over the length of an affordability period. For homebuyer projects, the length of the affordability period requirements varies depending on the amount of HOME funds provided.

Area Median Income (AMI) – The median income of the region, established by HUD, which is adjusted for family size and used to determine the maximum income for households targeted in assisted projects. This is provided by HUD on an annual basis.

CHDO Proceeds – Income generated from a project designated as a CHDO set-aside project.

Community Housing Development Organization (CHDO) – A private nonprofit, community-based service organization with qualified staff that is receiving HOME funds as the owner, developer, or sponsor of affordable housing for the community it serves. For the CHDO Single-Family Home Development Program, the CHDO serves the role of developer.

CHDO Set-Aside Funds – HOME allocated funds set aside by the County (*a minimum of 15 percent*) from each annual HOME allocation for homebuyer or rental housing, which is owned, developed, or sponsored by certified CHDOs.

Debt-to-Income Ratio (DTI) – The DTI ratio is a personal finance measure that compares an individual's debt payment to his or her overall income. DTI is calculated by dividing total recurring monthly debt by gross monthly income, and it is expressed as a percentage.

Direct HOME Subsidy – The amount of HOME assistance, including any program income that enabled the homebuyer to buy the unit. This includes down payment, closing costs, interest subsidies, or other HOME assistance provided directly to the homebuyer. In addition, direct subsidy includes any assistance that reduces the purchase price from fair market value to an affordable price. If HOME funds are used for the cost of developing a property and the unit is sold below fair market value, the difference between the fair market value and the purchase price is considered directly attributable to the HOME subsidy.

Director – The Director of Urban County Program Department or any other person(s) that may be designated to perform the various functions assigned to the Director.

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.

Homebuyer – Income eligible person(s) who purchases a home developed under the CHDO Single-Family Home Development Program.

Homeownership – Ownership in fee-simple title or a 99-year leasehold interest in a one- to four-unit dwelling or in a condominium unit, or an equivalent form of ownership approved by HUD.

Urban County Program (UCP) Department – The Hidalgo County Department that administers federal, state, and local funding for affordable housing and economic development projects.

Housing and Urban Development (HUD) – A Cabinet department in the Executive branch of the United States federal government. The Department manages and establishes regulations and rules for housing funds, including, but not limited to CDBG, ESG, and HOME.

Income-Eligible Household – Households with incomes at or below 80 percent of the median income, adjusted for family size.

Low-Income Families – Means families whose annual incomes do not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. An individual does not qualify as a low-income family if the individual is a student who is not eligible to receive Section 8 assistance under 24 C.F.R.5.612.

Net Proceeds – The sales price of the home minus superior loan repayment (other than HOME funds) and any closing costs.

Operating Expenses – General operating expenses to CHDOs that are receiving set-aside funds for activities or are expected to receive set-aside funds within 24 months of the date of the written agreement. Assistance for operating expenses in each fiscal year may not exceed \$50,000, or 50 percent of the CHDO's total annual operating expenses for that year, whichever is greater.

Participating Jurisdiction (PJ) – A state, local government, consortium, Indian tribe, or territory that has been designated by the Department of Housing and Urban Development (HUD) to administer HOME funds.

Principal, Interest, Taxes, Insurance (PITI) – These are the four main components of a monthly mortgage payment: principal, interest, taxes, and insurance.

Program Funds – Funds that have been duly appropriated or allocated to the CHDO Program.

Project Funding – Any governmental and private funds, used to pay for hard and soft costs to carry out the construction of a new single-family home under the CHDO Program as described in 24 C.F.R. § 92.206 – eligible project costs.

Program Income – Gross income received by the PJ directly generated from the use of HOME funds or matching contributions.

Recapture – The recapture option is a mechanism to recapture all or a portion of the direct HOME subsidy if the HOME recipient decides to sell the house within the affordability period at whatever price the market will bear.

Texas Minimum Construction Standards (2015) – promulgated by the Texas Department of Housing and Community Affairs, with an effective date of 2015. See document at: <https://www.tdhca.state.tx.us/single-family/training/docs/14-TMCS.pdf>.

III. Applications for Funding and Developer Capacity Review

All organizations requesting HOME funds from the Urban County Program (UCP) must submit a comprehensive application during the annual Notice of Funding Availability (NOFA) process. This application must include detailed information about the organization’s corporate and financial structure, along with a specific proposal for a program or project. As part of the evaluation, UCP staff reviews project underwriting practices related to developer capacity (see “D. CHDO Development Capacity”) to ensure that applicants demonstrate the experience and capability necessary to carry out the proposed development. In addition, each developer is required to submit a pro-forma cash flow statement and their most recent annual financial audit. These documents are used to assess both the fiscal soundness of the developer and the viability of the project. UCP staff initiates this process by issuing a Notice of Funding Availability (NOFA) once per fiscal year and/or based on funding availability, allowing time for thorough review and the formulation of funding recommendations to the Hidalgo County Commissioners Court, which ultimately approves or denies the requests.

Application information:

A. HOME Investments Partnership Program Application

1. National Objectives

- Identify the specific type of project for which funding is requested
- Certify that proposed activities meet HOME national objectives and benefit low- and moderate-income persons
- Indicate whether the applicant is a Community Housing Development Organization (CHDO) and whether they are requesting CHDO set-aside funds

2. Scope of Services

Provide a clear, concise narrative describing the proposed project or program, including:

- Quantifiable goals and objectives
- Methods of approach
- A detailed Project Development Schedule

3. Budget Proposal

Applicants must submit a proposed project budget including:

- Sources and uses of all funds supporting the project
- If applicable, CHDOs must provide documentation of operating costs associated with the CHDO designation or request

4. Disclosures - Organizational Structure:

Applicants must submit documentation that includes:

1. Charter or mission statement
2. Proof of nonprofit status
3. Documentation of CHDO status (if applicable)

4. Articles of incorporation and bylaws
5. List of Board of Directors (ensuring at least 1/3 low-income representation and no more than 1/3 public sector representation)
6. Organizational chart (current employees and job titles)
7. Personnel and procurement policies and procedures
8. Employer identification documentation
9. Identification of officials authorized to negotiate and enter into contracts

B. Financial Management:

Submit documentation demonstrating fiscal capacity, including:

- Resumes of the Chief Program Administrator and Chief Fiscal Officer (or equivalents)
- Current organizational budget (excluding proposed project) listing all funding sources
- Description of accounting systems, reporting/payment procedures, and audit processes
- Most recent audit or financial statement

C. Certifications

Certification of Application

The applicant's Board of Directors must certify:

- That if funded, the applicant will comply with all relevant federal, state, and local regulations
- That the organization is capable of fulfilling all proposed obligations

Certification of Affiliation

Disclose if any Board members, officers, or staff:

- Hold appointed positions with the County Commission
- Are employees of a city government

Compliance with Civil Rights Act and Americans with Disabilities Act

Provide:

- Written policies prohibiting discrimination in employment and service delivery
- Certification that facilities and programs are accessible to individuals with disabilities

Qualifications

Applicants must demonstrate:

- Experience in developing and managing affordable housing

- A narrative describing the development plan for the proposed project
- Identification of the property management firm to manage the project post-construction

Site and Planning Information

Provide:

- Specific details on the proposed project site
- Identification of required planning, zoning, and permitting approvals

IV. Homebuyer Activities

Homebuyer Requirements

A. Low-Income Families

Applicants must have an annual household income at or below 80% of the HUD-determined Area Median Income (AMI), adjusted for family size. All household members aged 18 or older will be considered when determining eligibility for HOME funds. CHDOs must use the *Technical Guide for Determining Income and Allowances for the HOME Program* and verify income using the most recent HUD income limits, available at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/>.

B. Primary Residency

The homebuyer must occupy the purchased home as their primary residence throughout the designated affordability period.

C. First Mortgage and Underwriting

CHDO staff are responsible for conducting the underwriting process, including the review of first mortgage terms. Since HOME funds are intended to supplement, rather than fully finance, the cost of a home purchase, they are generally used to close the gap between the property's price and what the buyer can afford. Because of this, the terms of the first mortgage are critical in determining the amount of HOME assistance.

To ensure fairness, consistency, and compliance with program requirements, CHDO staff apply uniform underwriting standards. Each first mortgage must meet the following underwriting criteria:

1. Front-End Ratio (Housing Expense Ratio): The percentage of gross monthly income allocated to housing costs (PITI – principal, interest, taxes, and insurance – plus any mortgage insurance, or similar costs). This ratio cannot exceed 35% of the housing debt.
2. Back-End Ratio (Debt-to-Income Ratio): The percentage of gross monthly income applied to housing debt plus all other recurring debt (e.g., credit cards, auto/student loans, alimony, child support). This ratio may not exceed 45%.
3. Mortgage rates may not be 4 points above the conforming Fannie Mae par rate.
4. Origination fees are limited to 1 point.
5. Loans must be a fixed-rate only.
6. No balloon payments will be allowed.

7. Loan terms cannot exceed a 30-year term.
8. The total loan-to-value ratio, including the HOME homebuyer assistance lien, may not exceed 100% without UCP approval.
9. Interest buy-downs are not permitted.
10. A subsidy layering analysis, which calculates the difference between the sales price and the household's maximum loan amount, must be completed to determine the appropriate level of assistance. Direct HOME subsidy cannot exceed the amount calculated by the subsidy layering amount.
11. All project funding sources (both private and public), amounts, and uses of funds must be identified. Before committing HOME funds, UCP must confirm that adequate financing is available to cover all reasonable costs of development.
12. Income Eligibility: CHDOs must use the Part 5 definition of income when determining household eligibility. Income is calculated from all adult household members, and assets are assessed per HUD's *Technical Guide for Determining Income and Allowances for the HOME Program (Third Edition)*, or until a revision is provided. Types of income able to be used are the following:
 - Copy of bank statements (checking account, last 6 months and most recent month of Savings account OR Verification of assets on deposit (if applicable))
 - Self-Employment Earnings Documentation (if applicable)
 - Unemployment Letter (if applicable)
 - Child Support Benefits Letter (if applicable)
 - Social Security and/or Disability Benefits Award Letter (if applicable)

Recommendation: Although not required, homebuyers are encouraged to have a cash resource after closing to cover at least 3 times their total monthly housing payment. For purposes of this requirement, liquid assets are those readily convertible to cash, including but not limited to savings or checking accounts, certificates of deposit, stocks and bonds, etc. Liquid assets, however, exclude life insurance policies and any savings held in a tax-preferred retirement account (e.g., pension, 401(k), IRA, etc.), college savings plan, or health savings account recognized by the Internal Revenue Service.

D. Senior Debt

The HOME assistance can be subordinated to senior debt that meets the underwriting requirements under Section IV.C. of this policy.

E. Homebuyer Subsidy (or Buyer Assistance Amount)

The CHDO will determine the amount of the buyer assistance to be recorded in the Note. The amount of the Note shall include:

- All HOME funds used by the CHDO to cover the difference between the fair market value of the property and the funds contributed by the homebuyer (homebuyer down payment and homebuyer first deed).
- Any additional HOME funds provided directly to the homebuyer at the time of closing to assist with the purchase.

F. Homebuyer Counseling

Any client approved to purchase a HOME-assisted home must complete an eight (8) hour Home Buyer Education class conducted by a HUD-certified counselor. Counseling can be received either in a one-on-one session, in a classroom setting, or remotely, but it must be completed within 12 months prior to loan closing. A certificate of completion must be submitted to the UCP.

In addition, the CHDO must ensure that, prior to the closing, the homebuyer receives a clear explanation of the following:

- The recapture policy, including the treatment of net proceeds upon sale or transfer of property
- That the HOME-assisted home is the primary principal residency requirement
- What the affordability period is, and that it is based on the loan amount.

G. Legal Documents

All CHDO homeownership projects must be secured through the following instruments executed by the assisted low-income homebuyer and recorded against the property:

- Homebuyer Agreement
- Second Lien Deed of Trust
- Real Estate Lien Note

These documents must address key recapture provisions, including:

- The affordability period
- Principal residency requirements
- Transfer of title to property in the event of sale, foreclosure, or any other applicable actions.

This explanation helps the homebuyer understand both the risks to their investments and the protections in place. After the explanations provided to the homebuyer, the homebuyer will sign an affidavit acknowledging their understanding of, and commitment to, these obligations.

They must also reflect the homebuyer's obligation under the deed and note to repay the HOME debt upon resale. The UCP will provide the CHDO with approved forms of these documents listed above.

The CHDO is responsible for submitting the executed Real Estate Note and the executed and recorded Deed of Trust to the UCP once recording is complete.

Additionally, the UCP may place a lien on:

- Real property purchased by the CHDO for homeownership projects and/or
- The individual homebuyer's property

This lien secures the County's investment during the affordability period and will be released once the affordability period ends.

H. New Construction Property Standards

All new construction under CHDO projects must comply with the International Residential Code (IRC) (with windstorm provisions) and the International Building Code (IBC).

In addition, new construction should be incorporate principles of sustainability, including:

- Water and energy efficiency
- Structural resilience
- Design features that might mitigate the impacts of future disasters

I. Sales Price

The price homes sold under the CHDO Single-Family Home Development Program must be \$1,000.00 less than the appraised market value of the “as completed” home.

In addition, HUD establishes a maximum sales price limit for newly constructed single-family housing units funded with HOME funds. This limit is based upon 95% of the median purchase price for the area, as determined using Federal Housing Administration (FHA) single-family mortgage program data for newly constructed housing.

When calculating the sale price, maintenance-related costs such as boarding, lawn care, or similar expenses may not be included.

J. Environmental Review

Prior to commitment or spending any HOME funds an environmental review must be conducted in accordance with 24 CFR Part 58. The review assesses potential environmental impacts and ensures compliance with federal, state, and local laws and regulations.

K. Affordability Period

The affordability period will be determined by the amount of buyer assistance as follows:

Buyer Assistance Amount per unit	Period of Affordability
Under \$15,000	5 years
Between \$15,000 to \$40,000	10 years
Over \$40,000	15 years

During the period of affordability, the homebuyer must occupy the property as their principal residence. To ensure compliance, a lien will be recorded in the amount of the buyer assistance. The lien will remain in place for the full affordability period.

L. Recapture Policy

The UCP has adopted a Recapture Policy to ensure the continued affordability of housing units acquired with HOME funds. Recaptured funds are those repaid to the UCP or the CHDO when HOME-assisted homebuyer fails to maintain the unit as their principal residence for the entirety of the affordability period as required by 24 CFR 92.254(a)(4).

When HOME funds are used to assist a household in the purchase of a unit, restrictions will be placed on the unit to ensure compliance with the recapture requirements described in 24 CFR 92.254(a)(5)(ii). This section sets forth the method that will be used by the UCP and its CHDOs to enforce these requirements.

In the event the home is sold or transferred – voluntarily or involuntarily - during the affordability period, the UCP will apply the “Owner Investment Returned First” recapture option, as defined under 24 CFR 92.254(a)(5)(ii)(A)(4)) to calculate the recapture amount.

M. Enforcement

The CHDO is responsible for enforcing compliance with principal residency verifications on HOME-assisted units throughout the duration of the affordability period. To do this, the CHDO must:

- Conduct regular verifications of occupancy
- Maintain accurate records using the HOME-Assisted Unit Tracking Report

Failure to comply with these requirements may result in the recapture of HOME funds and other enforcement actions by the UCP.

N. Failure to Occupy as Principal Residence

Under the Recapture provision, if a HOME-assisted unit ceases to be the principal residence of the homeowner during the affordability period, the full Buyer Assistance Amount must be repaid to the UCP in accordance with applicable regulations. The UCP will determine the amount to be repaid.

- For deferred and forgivable loans: The homeowner must repay the entire Buyer Assistance Amount reflected in the HOME Note.
- For amortizing loans: The homeowner must repay the original HOME subsidy minus any HOME principal payments paid to date.

Any funds collected under this clause by or on behalf of the CHDO must be returned to the UCP. The UCP will then deposit the funds into the HOME Investment Trust Fund local account.

O. Sale of Home During the Term of the Note and Deed

A HOME-assisted homebuyer may sell the property to any willing buyer at the market price during the affordability period. However, repayment obligations apply as follows:

- Net proceeds will be calculated as the sales price minus superior non-HOME loan repayments and any owner-paid closing costs.
- From net proceeds, the owner (seller) will be allowed first to recover their initial investment, which includes:
 - The owner’s original down payment (excluding any down payment assistance); and
 - Any principal that the owner has amortized on senior debt.

- Then, any remaining net proceeds, the full homebuyer assistance amount (as recorded in the note) must be repaid. However, in cases where there are no net proceeds or the net proceeds are insufficient to repay the HOME funds, the homeowner is not liable for payment of the HOME note beyond the amount of net proceeds that remain.
- Any remaining proceeds after repayment of the buyer assistance amount may be retained by the owner.

Upon transfer of title and repayment of amounts due, the affordability period will be considered terminated.

P. Prepayment

The UCP does not allow an early loan payoff by the client before the affordability period is over; however, such a transaction is possible only if there is an involuntary transfer of title, which will be handled on a case-by-case basis.

Q. Refinancing and Resubordination

Homebuyers may not refinance a HOME-assisted loan without obtaining prior written consent of the UCP. Approval may be withheld to preserve affordability or for other program-related reasons.

For a refinance or resubordination to be approved, the following applies:

- New loan amount must not exceed the current principal amount due (closing costs may be included if the monthly payment is still reduced)
- Interest rate must be fixed and lower than the current loan rate
- Monthly payment (including PITI) must be lower than the current loan payment

The UCP will consider refinance or resubordination requests during the affordability period only if they meet one of the following circumstances:

- Home improvement repairs
- Education expenses
- Temporary emergencies, such as medical expenses, loss of employment, funerals, etc.
- Other unforeseen expenses will be reviewed on a case-by-case basis.

R. Inspections

Frequency of Inspections

- Inspections will be performed by a UCP Rehabilitation Specialist when the reimbursement for housing units is submitted for housing units at 50% or 100% completed.

Penalty for Multiple Inspections

- CHDO must ensure that reimbursement requests for 50% or 100% completion accurately reflect the stage of construction.
- If an inspection reveals that the unit is not at the stated 50% or 100% completion, the Specialist will notify the Division Manager and the Coordinator, who will notify CHDO of discrepancies.
- If the same issue occurs again upon reinspection, the CHDO will be assessed a \$50.00 trip charge for each additional trip and for failure to address the discrepancies.

S. Project Documentation and Reporting

CHDOs must submit reports on project operations and performance as required by UCP, including but not limited to the reports specified in this policy and in 24 CFR 92.509 and 24 CFR Part 92, Subpart L, and those reports listed in Section VIII.

- If a CHDO fails to submit required reports in a timely manner, the UCP may withhold any or all payments until the deficiency is corrected.
- When payments are withheld, the UCP will notify the CHDO. Funds may be released once the outstanding reporting obligations are fulfilled.

Preliminary/Eligibility Documentation

Before construction can begin, CHDOs must submit a Preliminary Project Summary (Income Eligibility Packet) for UCP approval, including:

- Family Information sheet (name, size, AMI, etc.)
- Copy of Internal CHDO Application
- Copy of HUD income limits in effect
- Part 5 income calculation sheet
- Current check stubs for the last three (3) months are required; verification of employment will only be accepted if no check stubs or direct deposit records are available.
- Self-employment documentation (if applicable)
- Unemployment benefits letter (if applicable)
- Child support benefits letter (if applicable)
- Social Security or disability benefits letter (if applicable)
- Copy of bank statements (checking account-last 6 months and most recent month of Savings account OR Verification of assets on deposit (if applicable)
- Recorded divorce decree (if applicable)
- Identification card (Driver's License, Social Security Card, Birth Certificate)
- Conflict of interest affidavit

Note: Only after UCP has approved the income eligibility of the applicant, the UCP will request the property address to determine which type of Environmental Review (ER) must

be done. Environmental reviews typically take between one to two months. After UCP receives ER clearance, UCP will notify the CHDO and request submission of the Initial Packet.

Initial Packet must include:

- Homebuyer Agreement (signed by Homebuyer & CHDO)
- Initial project underwriting/subsidy analysis
- IDIS set-up letter
- CHDO Board – Client Approval (*must include official board meeting agenda and approved minutes evidencing the applicant's formal approval by the CHDO Board of Directors*)
- Loan Estimate
- Property Deed showing CHDO ownership
 - *Property Deed showing CHDO ownership MUST be submitted prior to any construction – meaning this document can be submitted either at the Income Eligibility and/or before the Notice to Proceed is issued.*

After UCP approves the Initial Packet and confirms approval:

- CHDO may begin the 8-hour Homebuyer education class
- UCP Coordinator:
 - Set up homebuyer in IDIS (HUD activity # obtained)
 - Obtain PO #
 - CHDO can now make requests for reimbursements

Then, UCP will send out a Notice to Proceed letter to the CHDO. After the Notice to Proceed letter is sent, the CHDO can now begin construction.

Project Development

UCP will monitor project development on a quarterly basis by reviewing reimbursement requests, developer fee payments, and inspections.

Construction and payment requests will consist of the following:

- 25% payment – After Notice to Proceed and construction release.
- 50% payment – After passing 50% inspection
- Additional payment requests – As work progresses
- 100% payment – After passing final inspection, Certificate of Occupancy issued

Final Closing Documentation

At project completion, CHDOs must submit a Final/Closing Family Packet, including:

- Beneficiary data
- Final underwriting/subsidy analysis
- Maximum purchase price worksheet/home ownership value limits

- Sales contract
- Certification of completion – 8-hour homebuyer class
- Final appraisal
- Building permit
- Property inspections / Certificate of Occupancy
- Construction agreement
- Housing plans & specifications
- Final homeowner’s insurance
- Executed recorded UCP lien deed of trust (2nd or 3rd lien)
- Copy of 1st lien deed of trust
- Homebuyer acknowledgment & certification
- Closing Disclosure (Settlement Statement & Truth in Lending)
- Promissory Notes

Once the Final Closing Family Packet is approved, the CHDO may schedule the closing date with the homebuyer. UCP will then finalize documentation and mark the project as complete in IDIS.

T. Annual Reports

The CHDO must submit the Assisted Unit Tracking Report to the UCP no later than fifteen (15) calendar days after the close of the UCP fiscal year ending date (June 30th).

This report consists of two sections and must include all UCP-funded units that:

- **Affordability and Principal Residency**

This section must provide detailed information on unit occupancy to verify compliance with affordability and principal residency requirements.

- **CHDO Proceeds**

This section must document all CHDO Proceeds, including origination source, amount, and type of utilization (e.g., rehabilitation, acquisition, or new construction)

V. Financial Management

A. Budget Development Process

All applications for HOME funds must include a detailed budget proposal outlining all anticipated eligible expenses required to implement the proposed activity. While applicants are generally responsible for preparing and submitting this information, the UCP may provide assistance as needed during the development process.

The budget development process shall:

- Identify all confirmed and anticipated funding commitments from all donors, lenders, and other funding sources.
- Specify the amount of HOME funds to be requested from the UCP.

- Allocate activities and expenditures according to the respective funding sources to ensure clear and transparent use of funds.

B. Budget Types and Cost Categories

Budgets for development projects must be prepared using the following general format. The cost categories pertain to expenses associated with the financing, management, and construction of affordable housing projects:

- Site Acquisition - Costs related to the acquisition of raw land.
- Reasonable Closing Costs - Fees, points, interest, or other costs associated with financing acquisition or construction.
- Architecture and Engineering - Fees for professional design services, including preparation of plans and specifications.
- Site Work - Costs for preliminary site construction work, including grading, installation of underground utilities, soil testing, and environmental remediation
- Fees and Permits - Costs for design review, building permits, planning approvals, or other required permits.
- Construction Management - Consultant or other fees for construction management services.
- Construction Contracts – Costs included in primary and subcontractor agreements.
- Consultants - Fees specialty consultants, including environmental testing or other required services.
- Administration - Overhead and other administrative costs incurred by the applicant.
- Interest - Interest paid on construction loans.
- Legal - Costs for legal services related to the project.
- Financing costs - Miscellaneous costs necessary to finance construction not covered under the categories.
- Taxes/Insurance - Property taxes and other taxes during the construction, as well as required construction insurance.
- Marketing – Expenses related to marketing the project and achieving lease-up or occupancy goals.
- Operating Reserve - May be included for a specified period of time; the maximum allowable reserve shall be determined in accordance with HUD regulations.
- Developer Fee - Fees or other charges payable to the developer.
- Homebuyer Fees- Housing counseling fees may be charged to the homebuyer.

Progress payments of developer fees, when applicable, will not exceed the following cumulative maximum percentages of the total developer fee at the following stages:

<u>Max. Cumulative Milestone</u>	<u>Documentation</u>	<u>Developer’s Fee %</u>
Acquisition Closing	Settlement Statement	25%
50% Construction Complete	50% Passed - Inspection Report	50%

100% Construction Complete	100% Passed – Inspection Report/ Certificate of Occupancy	75%
Home Buyer Loan Closing	Settlement Statement and Final Property Development Budget	100%

C. Budget Revisions

Modifications to approved budgets are permissible; however, all revisions must be directly related to changes in project services and activities.

For development project budgets, any modifications require submission of a written request and subsequent approval by the UCP. The Director of the Urban County Program is authorized to approve or deny budget revision requests. A written decision will be issued within seven (7) business days of receiving the request.

D. Fiscal Records

Organizations receiving HOME funds must keep the following fiscal records:

Bookkeeping Journals and Ledgers

Cash receipts journals, cash disbursements journals, expense journals, general journals, and general ledgers must be maintained. Supporting documentation for all journal entries must properly filed and include invoices, bills, receipts, deposit slips, bank statements, check stubs, checkbooks, canceled checks, purchase orders, petty cash records, and other verification as applicable.

E. Expenditures

All expenditures related to an approved activity or project must comply with the following criteria:

Limitation of Expenditures

- a. CHDOs shall not expend funds provided under the contract prior to the contract commencement or following the suspension or termination of the contract.
- b. Expenditures must conform to the approved budget and comply with HUD-established criteria for allowable costs.
- c. Expenditures must directly support the project that is the subject of the contract. For any items used jointly with any other project(s), the CHDO shall be apportioned according to the percentage of direct use attributable to the project.

Eligible Costs

To be eligible for payment, all costs must be comply with Office of Management and Budget Circular (OMB) A-87 and adhere to the following principles:

- a. Necessity and Reasonableness - Costs must be necessary and reasonable for the proper and efficient performance of the contract and must align with the approved budget. The UCP has final authority to determine, in good faith, whether an expenditure is "necessary and reasonable."
- b. Compliance – Costs must conform to the limitations within this manual and to all applicable statutes, regulations, and ordinances.
- c. Documentation – Costs must be fully documented and accounted for according to approved accounting procedures.
- d. Exclusivity – Costs may not be included as a cost or used to meet cost-sharing or matching requirements of any other funding source in either the current or a prior period.
- e. Net Costs – Costs must reflect the net amount after deducting applicable credits such as purchase discounts, rebates, sales, or other income or refunds.
- f. Recordkeeping- All costs must be documented with complete and accurate financial records, including but not limited to contracts, invoices, cash receipts, vouchers, canceled checks, bank statements, and other documentation that supports the nature and propriety of all charges.
- g. Reimbursement Requests – Requests for reimbursements, along with a summary of expenses on a UCP-approved form and supporting documentation, must be submitted to the UCP within seven (7) working days following the end of the preceding month.
- h. Reporting Requirements – Organizations must submit, at the times and in such forms as required by HUD or the UCP, statements, records, reports, data, and information relating to the contract or agreement.

Ineligible Costs

- a. Bad debts - Losses from uncollectable accounts, claims, or related costs.
- b. Contingencies - Contributions to a contingency reserve or provisions for unforeseen events.
- c. Contributions and donations – Any gifts or charitable donations.
- d. Entertainment - Costs of amusements, social activities, and incidental costs such as meals, beverages, lodging, gratuities, or any political or lobbying activity.
- e. Fines and Penalties - Costs resulting from violations of Federal, State, and/or local laws and regulations.

- f. Interest and Financial Costs - Interest on borrowings, bond discounts, financing and refinancing costs, and associated legal or professional fees.
- g. Membership Expenses - Costs for membership in organizations primarily engaged in influencing legislation.
- h. Non-competitive Subcontracts - Payments under subcontract not obtained under a competitive bidding procedure, unless specifically waived by the UCP.

F. Reimbursement

Development Projects: Reimbursement Process

Requests for reimbursement of eligible expenses shall be submitted on a monthly basis. More frequent submissions may be allowed if pre-arranged and approved by the UCP. Reimbursement requests received by the 7th working day of the month will, in most cases, be processed and paid no later than the end of the month. Generally, reimbursements are granted on a performance-based evaluation of eligible activities and expenditures.

UCP staff will review each reimbursement request submitted by a CHDO. Any questionable or ineligible expenses will be identified, and the CHDO will be asked to provide clarifications, corrections, or additional information as needed.

G. CHDO Proceeds

Under the HOME Final Rule, 24 CFR 92.300(a)(2), the UCP may permit CHDOs to retain any “proceeds” resulting from the CHDO's investment set-aside funds or may require that such proceeds be returned to the participating jurisdiction as program income.

CHDO Proceeds include, but are not limited to:

- Repayment of permanent financing of a CHDO project, which is used to pay off a CHDO financed construction loan.
- Sale of CHDO developed homeownership housing
- Principal and Interest payments received from loans to buyers of CHDO developed homeownership housing.

The UCP has opted to allow the CHDO to retain all CHDO proceeds, provided that these funds are reinvested by CHDO and applied towards housing activities for low- and moderate-income individuals and families. Eligible activities include, but are not limited to:

- Acquisition, construction, and rehabilitation of homeowner projects
- Emergency repairs
- Project operating costs and reserves
- Housing refinancing costs
- Homebuyer counseling

Retention of CHDO proceeds do not reduce the size of the organization's UCP HOME grant if the proceeds are spent on eligible activities.

Proceeds will be calculated on a per-unit basis and reported to the UCP at the loan closing for the sale of each unit. In addition, CHDOs must submit an annual CHDO Proceeds Report detailing all proceeds retained and expended during the reporting period.

VI. FY2012 HOME Appropriation Requirements

In accordance with the Consolidated and Further Continuing Appropriations Act, 2012, and Notice CPD 12-007 (Operating Guidance for Implementing FY 2012 HOME Appropriation Requirements), the UCP has adopted the following requirements:

A. Four-Year Project Completion

Requirement:

Projects not completed within four years of the commitment date, as determined by a signature of each party to the written agreement, must be repaid to the HOME Investment Trust Fund. Completion shall mean that all necessary construction work has been completed and the UCP has received a certificate of occupancy or other certification indicating that the construction has been completed and the project is ready for occupancy.

Implementation:

The UCP will evaluate the readiness of each project before setting it up in IDIS to ensure compliance with the four-year completion requirement. Project readiness evaluations will include underwriting requirements, developer capacity and market analyses as explained in detail below (see B. & D.). Additionally, on a monthly basis, UCP staff will download and review the HOME PJs Open Activities Report and the HOME PJs Vacant Units Report (located at <http://www.hud.gov/offices/cpd/affordablehousing/reports/>) in order to evaluate any possible remediation measures that may be required. *Please note that the CHDO is required to provide UCP with the certificate of occupancy or 100% inspection report.*

B. Assessment of Project Underwriting, Developer Capacity, and Market Need

Requirement:

Before entering into a legally binding homebuyer written agreement, the UCP must: Examine neighborhood market conditions to ensure adequate need for each project.

Implementation:

Market Conditions – The UCP has developed procedures in order to ensure that there is an adequate need for projects based on the neighborhood market conditions for a specific project location. These procedures include the assessment and evaluation of neighborhood market conditions within areas of interest proposed by developers, County Officials, and/or residents of the County, in an effort to further substantiate the practicability of any particular undertaking. These studies will examine categories such as the number of owner-occupied housing units, owner-occupied home values, area median incomes, home loans made to minorities, and median leveraged funds ratios for loans. Understanding variances in the housing market, UCP staff will make any adjustments deemed appropriate in order to capture the most accurate data available at the time the research is being conducted.

C. Conversion of Homebuyer Units to Rental Units

Requirement:

Homebuyer units that have not been sold to an eligible homebuyer within six months of completion must be converted to a HOME rental unit that complies with all HOME requirements for the period of affordability applicable to such rental units. HUD considers a homebuyer unit “sold” if the CHDO has a ratified sales contract for the unit within six months of completing project construction.

Implementation:

The UCP will not approve or perform a project set-up unless the CHDO has identified an eligible applicant and property. Any deviation from the aforementioned process will require UCP approval. Further, if the situation arises where a homebuyer unit is not sold within six months, the UCP will have the option to identify partners in the community with the capacity to manage rental units, when necessary.

D. CHDO Development Capacity

Requirement:

The UCP may not reserve HOME funds to a CHDO for development activities unless it has determined that the CHDO has staff with demonstrated development experience. The entitlement community must ensure that the current CHDO staff has experience developing projects of the same size, scope, and level of complexity as the activities for which HOME funds are being reserved or committed.

Implementation:

The UCP will continue to utilize its annual Request For Proposals (RFP) process to review and evaluate CHDOs staff experience and organizational capacity before awarding a contract. The CHDO RFP process captures the relative information and documentation in order to determine CHDOs staff expertise as well as past experience in the development of projects as it pertains to the particular project’s scope and level of complexity. Also, the UCP will utilize a “CHDO Staff Experience & Organizational Capacity Checklist” to document its efforts of this requirement.

VII. Monitoring

As a pass-through entity for HUD federal funding, the Urban County Program (UCP) conducts monitoring activities to support our subrecipients and ensure compliance and effective program management. Monitoring is viewed as a collaborative partnership, aimed

at assisting our subrecipients identify areas for improvement, such as program activities, documentation procedures, and policies and procedures— to ensure federal funds are being used in accordance with federal requirements. The monitoring process includes four phases: pre-monitoring, desk review monitoring, on-site monitoring visit, and post-monitoring.

Pre-monitoring: The subrecipient is notified of an upcoming monitoring through an official monitoring letter which is sent via email 2 weeks in advance from the monitoring date. This notification specifies HUD monitoring exhibits that will be utilized for the monitoring and the documentation required from the agency such as the program(s) and years to be monitored, and whether the monitoring will include an in-person visit or will be conducted as a desk review only. The requested documentation may include:

- The subrecipient’s availability for a monitoring visit
- The subrecipient’s policies and procedures
- Financial information pertaining to our grant
- Any other information needed may be requested, depending on a case-by-case basis, to ensure compliance with program requirements.

Desk Review Monitoring: All subrecipients will transition to this required phase. This process will involve the reviewing of the subrecipient’s program management including

- Program activities
- Documenting procedures including program accomplishments
- Financial tracking of program expenditures and client eligibility.
- Reviewal of Subrecipient’s Policies and Procedures

On-Site Monitoring Visit: An in-person monitor visit may be required, depending on the most recent visit or on a case-by-case basis. The in-person monitor visit may include:

- Discussion of the Subrecipient’s policies and procedures
- Review of record files and record keeping procedures
- Additional clarification of overall program management, if needed.

Post-Monitoring: The Subrecipient will receive an official Final Monitoring Letter stating program concerns and/or findings that may need to be addressed.

A Finding is a deficiency in program performance based on material noncompliance with a statutory, regulatory, or program requirement, as a result, the Subrecipient may be subject to sanctions and/or corrective actions.

The Subrecipient will have 30 days to address any findings.

A Concern is a deficiency in program performance not based on statutory, regulatory, or program requirements that is recommended to be addressed for program improvement.

Any concerns found within the Subrecipient’s program are not required to give us a reply. However, it is highly recommended for the agency to resolve the concerns found as it will benefit the subrecipients and all clients served in the program.

VIII. Procurement and Contracting - Procedures and Requirements

A. Procurement

In the event that the CHDO does not have its own written procurement policies and procedures, it shall adopt and utilize the County of Hidalgo's Procurement Standards. If a CHDO has its own procurement policies, it must, at a minimum, maintain the following documentation in its files:

- Summary of bids and proposals received, including the time and date of receipt
- Documented justification for any non-competitive procurement of contract services, including the reasons for the selection of the subcontractor
- Documented justification for selecting a contractor other than the lowest bidder in a competitive procurement

Note – CHDOs should make every effort to utilize small businesses, minority-owned, and women-owned businesses whenever possible. All procurement processes are subject to review by UCP prior to the CHDO awarding any bid.

B. Subcontracts

If a CHDO finds it necessary to subcontract in order to meet its obligations under its agreement with the UCP, it must enter into a written agreement with the individuals or organizations providing services.

1. Review of Subcontracts by UCP

- During the CHDOs first year of receiving HUD funds through UCP, all subcontracts valued at more than \$100 must be submitted to the UCP for review and approval prior to any execution.
- In the second year of UCP funding, prior review and approval by UCP is required only for subcontracts exceeding 10% of the CHDOs UCP grant or \$10,000, whichever is less.

All subcontracts requiring review and approval by the UCP must be submitted at least ten (10) business days prior to the proposed effective date. The UCP HOME Coordinator will respond to requests for approval within seven (7) working days. Subcontracts must not be executed by any of the parties until they have been formally approved by UCP.

2. Provisions Required in Subcontracts

- Name, address, phone number, and social security number of subcontractors.

- A termination clause requiring (20) twenty days' notice by which either party may terminate the agreement.
- A clause releasing the County from any liability for any breach of the subcontract by either party.
- A clearly defined scope of services.
- The total dollar amount of the subcontract.
- A termination date no later than the end of the current UCP program year.
- A clause requiring the subcontractor to comply with all Conditions of Federal Funding.
- An independent contractor clause stating that the subcontractor is not an agent or employee of the County and waives any rights or benefits afforded to County employees.
- The signature of the person authorized by CHDO's Board of Directors to execute agreements.
- The signature of the person authorized by the subcontractor to execute agreements.

3. **Required Subcontract Documentation**

Each CHDO must maintain the following documentation in its files:

- A summary of bids and proposals received.
- Justification for any non-competitive procurement and the rationale for subcontractor selection.
- Justification for selecting a contractor other than the lowest bidder in a competitive procurement.
- Documentation demonstrating Section 3 compliance.

4. **Types of Subcontracts Covered Under This Section**

- Bookkeeping and auditing services.
- Contractual personnel services (individuals not on the CHDO's payroll.)
- Office equipment rental.
- Office space rental.

5. **Types of Subcontracts Not Covered Under This Section**

- Extensions of existing contracts when rates (hour, month, annual) remain unchanged
- Vehicle rental for transporting project clients to specific events. (Requests for travel related to trips outside of the County of Hidalgo are required under the agreement with the County)
- Maintenance agreements for office equipment
- Janitorial services for office space

IX. ADMINISTRATIVE PROVISIONS

A. **Written Agreement with the Urban County Program**

A written agreement must be executed between the CHDO and UCP, as well as with any other entity receiving UCP funds. This agreement establishes the contractual obligation between the parties to fund and implement the approved activity, program, or project.

The agreement will specify responsibilities for each party and clearly outline the scope of services, methods of accountability, and a payment schedule. Once executed, the agreement binds the CHDO for the specified term and may only be amended through written authorization from the UCP.

B. **Post-Award Responsibilities**

Upon execution of the agreement between the UCP and the CHDO, the CHDO shall:

1. Immediately report any changes in its Articles of Incorporation or Certificate of Formation, Bylaws, or tax-exempt status to UCP.
2. Ensure that no member of the Board of Directors serves as a paid employee, agent or subcontractor.
3. Maintain a Board of Directors that represents a broad cross-section of the community, including individuals with relevant expertise, representatives of community organizations, and users of the services provided.
4. Conduct all Board of Directors meetings as open to the public, except when discussing personnel or litigation matters.
5. Keep minutes of all regular and special Board meetings and provide copies to UCP upon request.

C. **Federal Requirements**

CHDOs must comply with all applicable federal regulations governing the use of UCP funds. These include, but are not limited to, the following:

1. **Fair Housing**
CHDO must affirmatively further fair housing and prevent discrimination in connection with the sale of properties funded under the HOME Program in compliance with 24 CFR Part 92.202, 92.250, Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.), Fair Housing Act (42 U.S.C. 3601-3620) (implemented at 24 CFR Part 100), Executive Order 11063 (amended Executive Order 12259), Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) and 24 CFR 5.105(a).
2. **Affirmative Marketing**
CHDO must adopt and submit affirmative marketing procedures to UCP for approval within 30 days of executing any CHDO agreement under the HOME Program, as required by 24 CFR 92.351. CHDO must maintain a list of all homebuyers residing in

assisted units through the end of the compliance period. *In accordance with 24 CFR 92.508(4) and (7)(c)(2), "records must be retained for five years after the project completion date, except for documents imposing recapture restrictions which must be retained for five years after the affordability period terminates."*

3. **Accessibility for Persons with Disabilities**
All projects must comply with the Uniform Federal Accessibility Standards (24 CFR, Part 40, Appendix A), and Section 504 of the Rehabilitation Act of 1973 (Pub.L. 93-112), and related regulations prohibiting discrimination on the basis of disability.
4. **Equal Employment Opportunity**
In compliance with Executive Order 11246, CHDOs shall ensure nondiscrimination in all employment practices under federally assisted construction. In providing the work and services herein specified, CHDO shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. CHDO shall take affirmative action to ensure that applicants for employment are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. CHDO shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Federal Government or the UCP setting forth the provisions of this nondiscrimination clause. CHDO shall state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin. CHDO shall incorporate the foregoing requirements of this Paragraph 4 in all of its contracts for program work, and will require all of its subcontractors for such work to incorporate such requirements in all subcontracts for program work.
5. **Section 3 of the Housing and Urban Development Act of 1968**
To the greatest extent feasible, CHDOs shall ensure that:
 - a. The work to be performed on a project assisted under the HOME Program is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires that, to the greatest extent feasible, opportunities for training and employment be given to low-income residents of the project area and contracts for work in connection with the project be awarded to business concerns that are located in, or owned in substantial part by persons residing in, the area of the project.
 - b. The parties to any CHDO agreement executed under the HOME Program will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR Part 135, and all applicable rules and orders of the Department of Housing and Community Development issued prior to the execution of a contract. The parties to any CHDO agreement executed under the HOME Program must certify and agree that they are under no contractual or other disability that would prevent them from complying with these requirements.

- c. CHDO will send to each labor organization or representative of workers with which it has a collective bargaining contract or other contract or understanding, if any, a notice advertising to the said labor organization or worker's representative of its commitments under this Section 3 clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.
- d. CHDO will include these Section 3 clauses in every contract and subcontract for work in connection with the project and will take appropriate action pursuant to the contract upon a finding that any CHDO or subcontractor is in violation of a regulation issued by the Secretary of Housing and Urban Development, 24 CFR Part 135.
- e. Compliance with the provisions of Section 3, the regulations set forth in 24 CFR Part 135, and all applicable rules and orders of the Department issued prior to the execution of the Construction Contract shall be a condition of the federal financial assistance provided to the project, binding upon CHDO, its successors, and assigns. Failure to fulfill these requirements shall subject CHDO, its contractors and subcontractors, its successors, and assigns to those sanctions specified by the grant or contract through which federal assistance is provided, and to such sanctions as are specified by 24 CFR Part 135 which provides that, to the greatest extent feasible, opportunities for training and employment shall be given to lower-income residents of HUD-assisted project areas, and that contracts for work in connection with such projects be awarded to business concerns which are located in, or are owned in substantial part by, persons residing in the area of the Program.

6. Minority/Women Employment

CHDO shall collect and report data on all contracts or subcontracts of \$25,000 or more paid, or to be paid, with HOME or other Federal funds. This data should indicate which of those entities are women's business enterprises as defined in Executive Order 12138, the amount of the contract or subcontract, and documentation of the recipient's affirmative steps to assure that minority business and women's business enterprises have an equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction, and services. Such affirmative steps may include, but are not limited to, technical assistance open to all businesses but designed to enhance opportunities for these enterprises and special outreach efforts to inform them of contract opportunities. Such steps shall not include preferring any business in the award of any contract or subcontract solely or in part on the basis of race or gender.

The requirements relating to minority and women's business enterprises set forth in Executive Order No. 11625 of October 13, 1971, 36 Fed. Reg. 1967, as amended by Executive Order No. 12007 of August 22, 1977, 42 Fed. Reg. 42839; and Executive Order No. 12432 of July 14, 1983, 48 Fed. Reg. 32551; and Executive Order No. 12138 of May 18, 1979, 44 Fed. Reg. 23637.

7. Davis Bacon and Related Acts

CHDO shall ensure that any contract for construction of housing that includes 12 or

more dwelling units will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor in accordance with the Davis-Bacon Act (40 U.S.C. §276A-5) to all laborers and mechanics employed in the development of any part of the housing and contracts involving their employment shall be subject to the applicable provisions of the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333). Construction contractors and subcontractors must comply with regulations issued under these Acts and with other federal laws and regulations pertaining to labor standards and HUD Handbook 1344.1 (Federal Labor Standards Compliance in Housing and Community Development Programs), as applicable.

8. Conflict of Interest

No officer, employee, or agent of CHDO who exercises any functions or responsibilities with respect to the HOME Program or to the services and work to be performed by CHDO, during such officer's employee's, or agent's tenure or for one (1) year thereafter, shall have any personal or financial interest or benefit, direct or indirect, in any CHDO agreement executed under the HOME Program or the proceeds thereof. CHDO shall incorporate or cause to be incorporated in every contract required to be in writing a provision prohibiting such interest pursuant to the purposes of this Section II.M.8. Exceptions to the provision are allowed; however must meet the requirements of 24 CFR Part 92.356(d).

9. Debarred Contractors

In accordance with the provisions of 24 CFR, Part 24, relating to the employment, engagement of services and awarding of contracts, CHDO shall not employ, award a contract to, or fund any person that has been debarred, suspended, proposed for debarment, or placed on ineligibility status by the U.S. Department of Housing and Urban Development. In addition, UCP shall have the right to suspend or terminate this agreement if CHDO is debarred, suspended, proposed for debarment, or ineligible from participating in the HOME Program.

10. Environmental Requirements

Notwithstanding any provisions of any CHDO agreement executed under the HOME Program, the parties hereto agree and acknowledge that an agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the Participating Jurisdiction of a release of funds from the U.S. Department of Housing and Urban Development under 24CFR Part 58. The parties further agree that the provision of any funds to the project is conditioned on the Participating Jurisdiction's determination to proceed with, modify, or cancel the project based on the results of a subsequent environmental review.

11. Release of Funds

UCP shall not release any funds for any costs incurred by CHDO under any CHDO agreement executed under the HOME Program until UCP has received certification from CHDO that its fiscal control and fund accounting procedures are adequate to assure the proper disbursement of and accounting for funds provided. CHDO understands and agrees that UCP shall assume the responsibilities for environmental review, decision making, and other actions in accordance with and to the extent specified in 24 CFR 92.352 and 24 CFR, Part 58. However, if CHDO has

staff experience and/or means to perform the environmental review, CHDO may request in writing from UCP approval to perform them.

12. Flood Disaster Protection

CHDO shall comply with the Flood Disaster Protection Act of 1973, as amended (P.L. 93-234), and the standards issued thereto. No portion of the monies to be paid to CHDO shall be used for acquisition or construction purposes as defined under Section 3(a) of said Act, for use in an area identified by the Secretary of HUD as having special flood hazards which is located in an area not in compliance with the requirements for participation in the National Flood Insurance Program pursuant to Section 201(d) of said Act; and the use of any of said monies for such acquisition or construction in such identified areas in communities then participating in the National Flood Insurance Program shall be subject to the mandatory purchase of flood insurance requirements of Section 102(a) of said Act.

Any contract or Agreement for the sale, lease, or other transfer of land acquired, cleared or improved with assistance provided shall contain, if such land is located in an area identified by the Secretary of HUD as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, as amended, 42 U.S.C. 4001, et seq., provisions obligating the transferee and its successors or assigns to obtain and maintain, during the ownership of such land, such flood insurance as required with respect to financial assistance for acquisition or construction purposes under Section 102(a) of the Flood Disaster Protection Act of 1973, as amended. Such provisions shall be required notwithstanding the fact that the construction on such land is not itself funded with assistance provided.

13. Site & Neighborhood Standards

In accordance with 24 CFR 92.251, housing that is newly constructed with HOME funds must meet all applicable local codes, ordinances, and zoning ordinances at the time of project completion. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials. The CHDO must ensure that unit design specifications and necessary inspections of each unit are conducted to meet compliance requirements. File documentation must demonstrate compliance.

14. Lead-Based Paint Hazards

Assistance provided is subject to the HUD Lead-Based Paint regulations at 24 CFR Part 35, hereby incorporated and made a part of this Agreement by reference. Any funding commitments made by UCP or CHDO shall be made subject to the provisions for the elimination of lead-based paint hazards under subpart B of said regulations.

15. Relocation

Displacement, Relocation, and Acquisition. CHDO must ensure that it has taken all reasonable steps to minimize the displacement of persons (families, businesses, and nonprofit organizations) as a result of a project assisted with funds provided under this agreement. CHDO must comply with the applicable provisions of 24 CFR 92.353.

D. Insurance

CHDOs shall obtain and maintain the minimum insurance coverages outlined in “Insurance Requirements” attached hereto as Exhibit “B”.

EXHIBIT “A”
COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)
APPLICATION CHECKLIST

**COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)
QUALIFICATIONS CHECKLIST**

All of the following information is required from CHDOs. Please attach the requested information to this section and place a checkmark in the appropriate box to indicate that the information has been provided.

1. Legal Status

A. The non-profit organization is organized under State or local laws as evidenced by:

- A Charter.
- Articles of Incorporation.

B. No part of the organization's net earnings inure to the benefit of any member, founder, contributor, or individual as evidenced by:

- A Charter.
- Articles of Incorporation.

C. The organization has a tax-exempt ruling from the Internal Revenue Service under Section 501(c) or (4) of the Internal Revenue Code of 1986, as evidenced by:

- A 501(c)(3) OR (4) Certificate from the IRS. OR,

The organization is classified as a subordinate of a central organization, non-profit under Section 905 of the Internal Revenue Code, as evidenced by:

- A group exemption letter from the IRS that includes the CHDO.

D. The organization has among its purposes the provision of decent housing that is affordable to low- and moderate-income people, as evidenced by a statement in its:

- Charter.
- Articles of incorporation.
- By-laws.
- Resolutions.

(reference pertinent section of document checked above)

2. Capacity

- A. Demonstrate that the organization conforms to the financial accountability standards of Attachment F of OMB Circular A-110, "Standards of Financial Management Systems," as evidenced by one of the following:
- Notarized statement by the President or CFO;
 - Certification from a Certified Public Accountant;
 - A HUD-approved audit summary.
- B. Document the organization's capacity for carrying out HOME-assisted activities as evidenced by one of the following:
- Resumes and/or statements that describe the experience of key staff members who have completed projects similar to those to be assisted with HOME funds.
 - Contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff of the organization.
- C. Demonstrate a history of serving the community within which housing to be assisted with HOME funds is to be located, as evidenced by one of the following signed by the Chairman of the Board or the Executive Director of the organization:
- An annual report or statement that documents at least one year of experience in serving the community;
 - For newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.

3. Organizational Structure

Use the following definitions in responding to this section:

Low-income neighborhood - a neighborhood where 51% or more of resident households have incomes that are less than or equal to 80% of the area median income (based on the latest Census tract data or other identified source).

Community - one or more neighborhoods, towns, villages, cities, counties, or multi-county areas.

- A. Demonstrate that the organization maintains at least one-third of its governing community residents, or elected representatives of low-income neighborhood organizations, as evidenced by the following:

Submit the attached “CHDO Certification of Low-Income Community Representation”.

B. Demonstrate that the organization provides a formal process for low-income program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects, as evidenced by one of the following:

Appropriate citation in by-laws or articles of incorporation

(reference pertinent document and section)

Written statement signed by Chairman or Executive Director certifying that such a process is in place within the organization’s operating procedures.

C. A CHDO may be chartered by a State or local government. However, the government entity may not appoint more than one-third of the organization’s governing board; board members appointed by the government entity may not appoint the remaining two-thirds of the board; and public officials cannot compose more than one-third of the governing board. Provide evidence that the organization satisfies these criteria by citing the appropriate section of the bylaws or articles of incorporation.

(reference pertinent document and section)

Check this box if not chartered by the State or local government.

D. A CHDO may be sponsored or created by a for-profit entity. However, the for-profit entity may not appoint more than one-third of the organization’s governing board, and board members appointed by the for-profit may not appoint the remaining two-thirds of the board. Provide evidence that the organization satisfies these criteria by citing the appropriate section of the bylaws or articles of incorporation.

(reference pertinent document and section)

Check this box if not sponsored or created by a for-profit entity.

4. Relationship with For-Profit Entities

A. Demonstrate that the organization is not controlled by nor receives direction from individuals or entities seeking profit from the organization, as evidenced by one of the following:

By-laws or articles of incorporation.

(reference pertinent document and section)

Memorandum of Understanding between CHDO and for-profit entity.

B. Demonstrate that the for-profit sponsor of a CHDO does not have as its primary purpose the development or management of housing, as evidenced by:

the for-profit organizations' by-laws (attach pertinent section).

(reference pertinent document and section)

C. Demonstrate that the CHDO sponsored by a for-profit entity is free to contract for goods and services from vendors of its own choosing, as evidenced by:

By-laws;

Charter;

Articles of Incorporation

(reference pertinent document and section)

CHDO: _____
Statement on Certification of Community Representatives

Today's Date: ____/____/____

I am a CHDO Board Community Representative for the above CHDO and this is my statement on the Certification of my board background:

Check <input type="checkbox"/>	Statement
	I am a CURRENT RESIDENT OF LOW-INCOME NEIGHBORHOOD Neighborhood: _____ Attach: Map of Residence (Census Tract)
	I am a LOW-INCOME RESIDENT Employed at: _____ My Household Yearly Income: \$ _____ Size of Household: _____
	I am an ELECTED REPRESENTATIVE OF LOW-INCOME NEIGHBORHOOD ORGANIZATIONS on the following: Neighborhood Organization: _____ Attach Map of Low Income Neighborhood (Census Tract)

I am providing the above statement. If you have any questions, please call me at the number listed below. Thank You.

Signature: _____

Print Name: _____

Address: _____

City, State, Zip: _____

Phone: _____

#	BOARD MEMBER	Identify who they represent		Board Term	Residence	Employment
		COMMUNITY REPRESENTATIVE (Identify which Number) 1. Resident of low-income Neighborhood (Census Track- show maps) 2. Residents who are low-income (Show self-certification) 3. Elected Representatives of low-income neighborhood organizations (Census Track-show maps)	PUBLIC OFFICIALS (Identify) 1. Elected Officials 2. Appointed Public Officials 3. Public Employees 4. Board Members Appointed by P.O. Identify by Whom	BOARD POSITION TERM: EXPIRATION DATE	HOME ADDRESS HOME NUMBER	Provide the following: 1. Occupation 2. Place of Employment
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

CALCULATION Example: 3 Public Officials divide 10 Board Members = 30% or 3 Allowed

# PUBLIC OFFICIALS	÷	# OF BOARD MEMBERS	?	MAXIMUM 1/3 ALLOWED FOR PUBLIC OFFICIALS. IF YOU HAVE MORE THAN THIS AMOUNT, THEN YOU ARE NOT MEETING THE CHDO CRITERIA.
	÷		?	

EXHIBIT “B”

INSURANCE REQUIREMENTS

INSURANCE REQUIREMENTS

1. **CHDO Insurance** CHDO, at its sole cost and expense, for the full term of this Agreement (and any extensions thereof), shall obtain and maintain at a minimum compliance with all of the following insurance coverage(s) and requirements. Such insurance coverage shall be primary coverage as respects UCP, and any insurance or self-insurance maintained by UCP shall be excess of CHDOs insurance coverage and shall not contribute to it.
2. **Subcontractor(s)' Insurance** If CHDO utilizes one or more subcontractors in the performance of this Agreement, CHDO shall obtain and maintain independent insurance as to each subcontractor or otherwise provide evidence of insurance coverage for each subcontractor equivalent to that required of CHDO in this Agreement, unless CHDO and UCP both initial here _____/ _____ .
3. **Types of Insurance and Minimum Limits** The following types of insurance and minimum limits are required for at least the following minimum coverage and limits of liability.
 - a. Worker's Compensation written in accordance with the laws of the State of Texas and providing coverage for any employees of CHDO in the minimum statutorily required coverage amounts.
 - b. Automobile Liability Insurance for each of CHDO's vehicles used in the performance of this Agreement, including owned, non-owned (e.g. owned by CHDOs employees or contractors), leased or hired vehicles, in the minimum amount of \$300,000 combined single limit per occurrence for bodily injury and property damage. This insurance coverage shall not be required if the vehicle used by CHDO is not a material part of the performance of this Agreement, and CHDO and UCP both certify to this fact.
 - c. Comprehensive or Commercial General Liability Insurance coverage in the minimum amount of \$300,000 combined single limit, including coverage for:
 - (1) bodily injury
 - (2) personal injury
 - (3) broad form property damage
 - (4) contractual liability
 - (5) cross-liability
4. **Other Insurance Provisions**
 - a. If any insurance coverage required in this Agreement is provided on a "Claims Made" basis rather than an "Occurrence" basis, the CHDO agrees to maintain the required coverage for the duration of this Agreement (hereinafter "post-agreement coverage") and any extensions thereof. The CHDO may maintain this requirement post-agreement coverage by renewal or purchase of prior acts or tail coverage. This provision is contingent upon post-agreement coverage being both available and reasonably affordable in relation to the coverage provided during the term of this Agreement. For purposes of interpretation, a cost not exceeding 100% of the last annual policy premium during this term of this Agreement for the purchase prior acts or tail coverage shall be deemed to be reasonable.

5. Endorsements

a. All required Automobile and Comprehensive or Commercial General Liability Insurance shall be endorsed to contain the following clause, with the exception that Endorsement (ii), providing for 30-day notices, is the only endorsement required to be made a part of the Worker's Compensation and Employers' Liability policy coverage.

(1) "The County of Hidalgo, its employees, officers, agents, and volunteers are hereby added as additional insurers, but only as respects work done by, for, or on behalf of the named insured under Agreement with the County of Hidalgo."

(2) "Thirty (30) days prior written notice shall be given to the County of Hidalgo in the event of cancellation, reduction in coverage, or non-renewal of this policy for whatever reason."

6. Proof of Coverage.

a. CHDO agrees to provide its insurance broker(s) with a full copy of these insurance provisions and provide UCP on or before the effective date of this Agreement with Certificate of Insurance for all required coverages. Copies of all the required Endorsements required above shall be attached to the Certificate(s) of Insurance or other evidence of insurance acceptable to the County of Hidalgo, which shall be provided by CHDO's insurance company as evidence of the stipulated coverages. This Proof of Coverage shall then be mailed to the County of Hidalgo at the following address:

HOME Coordinator
County of Hidalgo
Urban County Program
1916 Tesoro Blvd.
Pharr, TX 78577

END INSURANCE REQUIREMENTS