

# Affordable Housing Policies City of San Antonio

**Department of Planning and Community Development**

Community Development Block Grant

Home Investment Partnership Program



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## **Background Information**

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

### **Community Development Block Grant (CDBG) Objectives**

The Community Development Block Grant has been in existence nearing 40 years. The primary objective of the CDBG program is to improve communities by providing decent housing, providing a suitable living environment, and expanding economic opportunities. The primary beneficiary of CDBG funds must benefit low to moderate-income persons, aid in the prevention or elimination of slums or blight, or meet an urgent need.

### **Home Investment Partnership Program (HOME) Objectives**

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

### **Income Requirements**

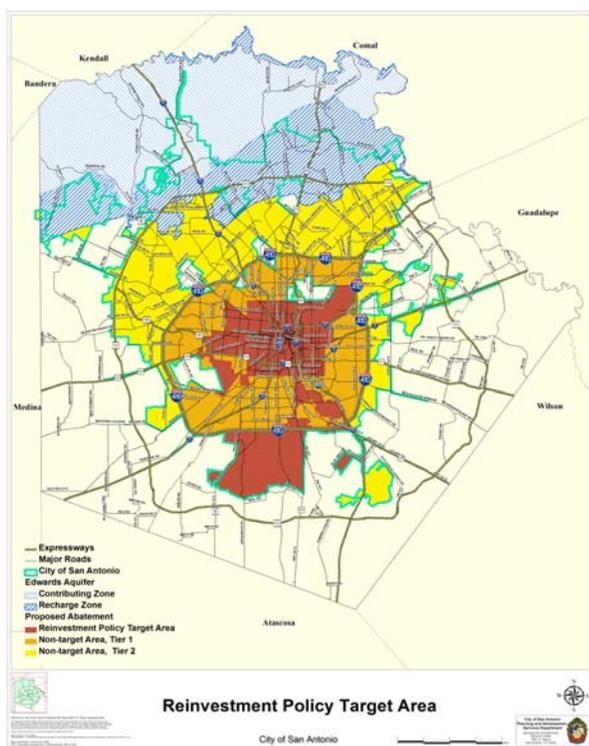
For CDBG, if a project directly benefits a person or family, they must be low or moderate income (below 80% of Area Median Income). For the HOME program, all program participants must have incomes at 80% of the Area Median Income; however HUD has established additional income requirements on certain HOME funded activities. Income limits are updated by HUD on an annual basis and are located in Appendix 9.

## City of San Antonio Plans and Strategies

### Housing Master Plan

In June 2001, the San Antonio City Council adopted the Housing Master Plan, a comprehensive document laying out a vision for meeting the housing needs of all of San Antonio’s citizens while creatively planning for the use of available resources to revitalize San Antonio’s inner city and ensure balanced growth. The goals outlined in the Housing Master Plan are as follows:

- Expand affordable housing opportunities.
- Expand special needs housing opportunities.
- Encourage desirable housing development projects.
- Encourage the development of partnerships between developers, financial institutions and non-profit agencies.
- Improve program efficiencies.
- Encourage urban design standards and amenities.



### ICR/IP

In the 2010-2014 Consolidated Plan, the City of San Antonio adopted a Reinvestment Area Strategy pooling resources to strategically invest mostly in the City’s urban core. The consolidated plan has a goal of at least 60% of all CDBG and HOME funded activities are within the ICR/IP. The ICR/IP boundaries were amended via City Council action on January 16, 2013.

### Placed Based Strategy

In 2013, the City’s Quality of Life Committee recognized the need to allocate ever limiting resources in a more strategic way with the most effective actions, while remaining consistent with the City’s Strategic Plan for Community Development. A place-based approach for the use of certain CDBG and HOME funds was developed to involve making funding decisions based on local market conditions. This type of strategic and coordinated approach considers the relationship between housing, transportation, jobs, schools and community amenities; it focuses resources in a targeted

manner to achieve greater community impact. Additionally, an effective place-based approach, utilizing U.S. Department of Housing and Urban Development (HUD) funds as a foundation, should also select program types that match local market issues, and target HUD resources in specific neighborhoods, as well as tie HUD assistance to other target area efforts. In summary, the process of implementing this type of strategy involves: assessing housing market conditions; determining activity types; selecting best funding sources; selecting partners; and implementing activities. It is intended to facilitate a comprehensive approach to neighborhood revitalization activities within targeted geographies within the City of San Antonio, and designed to sustain and increase owner-occupancy, promote healthy, lead-free homes, provide high quality affordable multi-family rental housing, strengthen property values, promote infill opportunities, identify and support “catalytic” community-enhancing projects, and improve the physical appearance and quality of life of neighborhoods and neighborhood commercial corridors.

## Owner-Occupied Rehabilitation & Reconstruction

CDBG and HOME funds may be used to assist low to moderate income homeowners that are in need of rehabilitating or reconstructing homes. Owner Occupied Rehabilitation and/or Reconstruction programs may be implemented by the City and/or sub-recipient partners. Emergency Repair programs may be operated by non-profit partners using CDBG funds only. The following policies apply to all Owner Occupied Rehabilitation programs.

### General Provisions

#### Client Eligibility

Clients assisted by the Owner-Occupied Rehabilitation programs must meet the following criteria:

Applicant's household annual income must be 80% of the Area Median Income or below

Applicant must have acceptable credit

Applicant must be a U.S. Citizen or legal resident alien

Home must be occupied as the primary residence of applicant, designated as "homestead"

Home must be within the San Antonio city limits

Applicant must have clear title to the property

Taxes must be current

The house must be structurally and economically feasible for rehabilitation

#### Determining After Rehabilitation Value

In accordance with 24 CFR 92.254(b), housing currently owned by a family (i.e., owner-occupied housing) only qualifies as affordable housing under the HOME Program if the estimated value of the property, after-rehabilitation, does not exceed the HOME Homeownership Value Limits for Existing Housing (as established by HUD). The City and/or Sub recipients must maintain files showing how the after-rehabilitation value was determined and found to be within the applicable program limits. The property's value must be determined prior to the provision of HOME Program assistance. The value must be established by using the City's After-Rehabilitation Value Worksheet.

Section 92.254(a)(2)(iii) of the Final Rule published on July 24, 2013, HUD established new homeownership value limits for the HOME Participating Jurisdictions (PJs). These new limits apply to homeownership housing to which HOME funds are committed on or after August 23, 2013, and remain in effect until HUD issues new limits.

The City Manager, Deputy City Manager, Assistant City Manager or the Director of Planning and Community Development may on a case by case basis administratively approve a loan or grant amount not to exceed \$15,000 above the maximum limit for any Owner-Occupied Rehabilitation or Reconstruction project under the following circumstances:

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

#### Accessory Structures

An accessory structure can be a detached garage, work shed or small residential structure on a single family lot that is intended for residential use. If a home that is being assisted has a residential accessory structure on the lot, a determination will be made on a case by case basis by the appropriate City Department Director and/or

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Quality of Life Council Committee on how to address that structure. If the accessory structure does not meet any previous or current building code standard, then water, gas, electric and sewer lines to the structure must be cut. Accessory structures will not be rehabilitated using CDBG or HOME funds.

Lead-Based Paint

The use of HUD funds requires compliance with Lead Based Paint regulations. The following requirements apply to Owner Occupied Rehabilitation Programs. The lead requirements are based on the amount of federal assistance invested in the activity.

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

The maximum benefit per client does NOT include lead based paint related costs. All lead- related costs are considered a grant to the homeowner and shall not be included in the maximum loan amount.

Underwriting Standards

Applicants with paying ability must have an acceptable credit and mortgage payment history. Following is the minimum standard for credit:

- 12 month current payment history for utilities will be the standard. No more than three (3) late payments in a year’s time will be accepted.
- No bankruptcy within the following timeframe:
  - For Chapter 7: Must be five (5) years from discharge
  - For Chapter 13: Must be two (2) years from discharge

Loans underwritten by the City or other agency implementing a program will use 30 percent of gross monthly income for housing expenses as a standard for determining ability to pay. Monthly housing expenses include: payments on any mortgage, property taxes, home insurance, cost of utilities, and the additional payment required for the rehabilitation loan. Monthly housing expenses should not exceed 30% of the family’s gross monthly income.

Refinancing

Refinancing of an existing mortgage or home improvement loan is an eligible expense up to the maximum of \$8,000. The total debt, including refinanced amount and rehabilitation costs, cannot exceed 100% of the market value of the property. Such refinancing will be a part of a low interest loan (up to 3%); resulting repayments for the refinanced portion will be payable immediately. There will be no deferment period for the refinanced portion of the rehabilitation loan. A contract for deed with the

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balance not exceeding \$8,000 may be bought and refinanced under this provision, to allow the applicant to qualify for rehabilitation assistance (provided that clear title is obtained).

No payment of credit card debt or property taxes is allowable through the refinancing vehicle. Mortgage balances and liens from lot clearance/demolition is the only debt allowable through the refinancing option.

### Additional Loan Conditions

The city or sub-recipient may secure a subordinate position to the existing mortgage.

Loan documents will contain the requirement that the rehabilitated home must remain owner-occupied during the loan term. If a home is vacated or leased during the term of the loan, then the full remaining balance of the loan is immediately due and payable in full. If the home is transferred through sale during the term of the loan the balance is immediately due and payable in full.

### Heirs

If an assisted property is transferred to income qualified heir(s) and the heirs utilize the assisted property as their primary residence, the City or Sub-recipient may make payment arrangements with the heir(s) for repayment of the assistance at the interest rates and loan terms outlined in the traditional rehabilitation program, dependent on the heir's income level. If the heir(s) are not income qualified or do not utilize the property as their primary residence, the City or Sub-recipient may make repayment arrangements with the heir(s) at three percent (3%) interest. Any repayment provision with an heir must be worked out within thirty days of transfer of title. If a property is utilized as a rental property, the loan will immediately become due and payable. If the heirs must sell the property in order to repay the rehabilitation loan, they must do so within six months of the transfer of title. The standing exception is the Major Systems Repair Program. Additionally, the City Department Director may grant extensions if necessary.

### Monitoring

Each year the City or Sub-recipient implementing a rehabilitation program will be required to monitor the each assisted property to ensure the property owner is the primary resident. City or Sub-recipient shall also ensure that all homeowners are responsible for paying real property taxes, and for maintaining homeowners insurance on the subject property for the full term of the loan. Failure to comply will be cause for default and repayment of the entire note in full will become due immediately.

### Waiting Lists

No entity which is implementing an owner-occupied rehabilitation, reconstruction or minor repair program funded by or through the City will be allowed to maintain a waiting list with a number of clients that exceeds 115% of the year's allocation to that project activity. For example, if the agency's average single family rehabilitation project costs \$50,000 and an agency is allocated \$450,000 in one year for owner occupied rehabilitation, that agency may not have more than ten families on its waiting list at one time. This applies to City department as well as outside agencies. This provision is based on the agency or department budget for its projects and allows agencies to have projects ready for subsequent year start-ups in the beginning of the fiscal year. The City, however, does not guarantee subsequent years funding and the agencies/departments must make that clear to all applicants. There should be **no commitments** beyond 100% of the annual funding.

### Funding Policy

The City will not allocate funding to any agency or City Department, which has more than two years of uncommitted CDBG and/or HOME funds on its books. This rule applies to each specific activity/program. If the agency has more than two years of CDBG/HOME funding, it must demonstrate strong evidence of

commitment or extenuating circumstances that have caused a delay in expending funds. In that instance, an agency may be considered for additional funding.

### Contractor Relationships

The City or Sub-recipient shall make payment to the contractors upon approval of work by homeowner. The owner-occupant or the non-profit partner will select the contractor and make an agreement for the work to be performed. The City will not enter into a contract agreement with any contractor to perform work for a rehabilitation project. Any contractor participating in the owner occupied rehabilitation, reconstruction or emergency repair activities must have general liability insurance in place for the term of the home warranty.

## **Targeted Rehabilitation Programs**

### **Repayment Terms and Requirements**

The program may offer deferred and forgivable loans of up to \$25,000 for up to 10 years. Any amount over \$25,000 will be in the form of a 0% perpetual loan due upon sale, refinance, or when the home is no longer owner occupied.

### **Loan Limits for Rehabilitation**

- Minimum Amount: \$5,000
- Standard Loan Amount \$25,000 (*Deferred Forgivable 10 years*)
- Maximum Amount: \$40,000
- Alternative Maximum: \$50,000 (*Only in instances to address severely hazardous or substandard situations faced by seniors or persons with disabilities*)

### **Scope of Rehabilitation**

The allowable scope of rehabilitation will be limited to specifically approved measures:

- Building code required items
- Foundation and building envelope
- Major systems (mechanical, electrical, plumbing) with limited remaining useful life
- Accessibility Improvements
- Energy Efficiency
- Work necessary to complete the project in a workmanlike manner as a result of the above measures (e.g., repair and painting of walls damaged by electrical work, etc..)

## **Major Systems Repair Program**

### **Repayment Terms and Requirements**

The Major Systems Repair Program offers assistance up to \$15,000. Major Systems Repair assistance (CDBG only) will be secured by a lien on the property with a five (5) year deferred forgivable loan term. If the property owner becomes deceased within the loan term period, the lien will be released and the remainder of loan will be forgiven.

### **Scope of Repair**

The rehabilitation scope for the Major System Repair Program is a maximum of two (2) of the following:

- Roof
- Electrical
- Plumbing / Gas
- Heating & Air Conditioning
- Lead Based Paint
- Foundation

### **Minor Home Repair**

CDBG funds may be used to perform minor home repairs as well as ADA modifications.

#### **Repayment Terms and Requirements**

Assistance will be offered in the form of a one-time grant not to exceed \$4,999 per household excluding environmental and administrative soft costs necessary to engage the client and property.

CDBG funds may not be used for the purchase or repairs of appliances (except for energy efficient window units) for any unnecessary renovations. Unnecessary renovations are those that are intended solely for convenience or for increasing the value of the home and do not directly eliminate a sub-standard condition. Additionally, activities considered ineligible include but are not limited to, tree trimming (unless tree is cause of eminent danger for occupants or structure), sidewalks outside the property boundaries, fences (unless deemed necessary for elimination of health or safety hazard) and yard work.

Exception: The removal of any items from the property that are considered to be dangerous in nature which include but are not limited to, detached garages, sheds, trees, fences and sub-standard additions.

#### **Scope of Repair**

Qualified minor home repairs are those that are essential for eliminating health and safety hazards from the home. Funds may be used to repair or replace any deficiencies in accordance with City Rehabilitation Standards. Repairs or modifications may also be made to accommodate for physical disabilities. Eligible repairs include but are not limited to meeting the health and safety needs of the occupants, improving the comfort of the occupant(s), meeting basic needs for privacy, security, and addressing a critical need for living space. Eligible repairs include, but are not limited to mechanical, electrical, plumbing, roofing, foundation, and HVAC.

## Historic Preservation with CDBG Funds

### Eligible Properties

Historic properties are defined as those sites or structures that are either:

- Listed in or eligible to be listed in the National Register of Historic Places, or
- Listed in a State or local inventory of historic places, or
- Designated as a State or local landmark, or
- A contributing structure in a historic district by appropriate law or ordinance.

Historic preservation, however, is not authorized for buildings for the general conduct of government.

### Meeting a National Objective

All historic preservation activity must meet a national objective in order to qualify. Activities must benefit low- to moderate- income individuals or eliminate slum/blight.

#### Low/Mod Benefit

##### *Limited Clientele*

Individual/ Family income qualification required; activities limited to Traditional Owner Occupied Rehabilitation and Reconstruction; subject to COSA Housing Policies.

##### *Area Benefit*

The property preserved must be of benefit to the surrounding community; Activities limited to commercial rehabilitation; Property rehabbed must be occupied and function to serve the community needs; Area Benefit cannot be used to perform large scale preservation on a Historic District; Individual/ family income qualification required.

#### Slum/Blight

##### *Spot Basis*

Residential and non-residential properties must be identified as blighted (by Code Officers); property must be vacant and repairs must be limited to eliminating conditions detrimental to public health and safety.

##### *Area Basis*

Requires surveying and studying of an area to designate it as such; must follow regulations on requirements for determination. Large scale preservation on a Historic District is allowable with this determination

#### Urban Renewal Area

An activity must be located in an urban renewal project area or Neighborhood Development Program (NDP) action area.

**Eligible Activities**

Historic preservation activities, using CDBG funds, are specifically eligible under 24 CFR 570.202(d). These activities include rehabilitation, preservation and restoration of privately or publicly owned buildings. However, other eligible activities may be used toward historic preservation endeavors. The sections below outline possible uses of CDBG funds for historic preservation activities.

Eligible Activities	Federal Regulation
Acquisition	24 CFR 570.201
Administrative Costs	24 CFR 570.206
Architectural Barrier Removal	24 CFR 570.208 (a)(2)(i)
Clearance Activities	24 CFR 570.201(d)
Code Enforcement	24 CFR 570.202(c)
Consultant Services	24 CFR 570.200(d)
Economic Development Activities	24 CFR 570.203
Economic Development Assistance to For-Profit Business	24 CFR 570.203(b)
Engineering and Design Costs	24 CFR 570.201, 570.202
Historic Preservation	24 CFR 570.202(d)
Planning	24 CFR 570.205
Privately owned utilities	24 CFR 570.201(l)
Property Disposition	24 CFR 570.201(b)
Property Rehabilitation	24 CFR 570.202
Public Facilities and Improvements	24 CFR 570.201(c)
Removal of Architectural Barriers	24 CFR 570.201(k)
Site Preparation	24 CFR 570.201
Technical Assistance	24 CFR 570.201(p)

The Housing Policies sets forth parameters and limits for historic preservation activities. Each historic preservation program may be created to address the needs of a specific clientele or area. Each program may include several activities to achieve its ultimate goal. However, all clients must qualify based on CDBG eligibility requirements and all maximum benefits must be adhered to. Maximum Program Benefits on Historic Preservation activities can be found in Section 2.

Activities not listed will be considered on a case-by-case basis. Leveraging of non-federal funds is strongly encouraged in all cases.

## Homebuyer Programs

CDBG and HOME funds may be used to assist families in purchasing homes. Funds can be used to assist families who are purchasing homes for the first time. CDBG and HOME funds can be used to assist families who have previously owned homes and are not classified as a first time homebuyers, however, this requires approval of the Quality of Life Council Committee.

### General Provisions

#### Applicant Eligibility

Applicants to homebuyer programs must meet the following criteria:

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

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

Other exceptions to this criteria based on special circumstances can be appealed to the City's Quality of Life Council Committee.

#### Eligible Properties

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

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

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

All first time homebuyer projects require an appraisal. The appraised value of an assisted property to be acquired by a first time homebuyer cannot exceed the FHA 203(b) limit for San Antonio. This limit is

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updated annually. The sales price of an assisted property may not exceed the “Affordable Home Price” established by the City Council.

### Credit Standards

Following are the credit standards for homebuyer programs:

- 12 month current payment history for rent and utilities will be the standard
- No more than three (3) late payment’s in a year’s time will be accepted
- No bankruptcy within the following timeframe:
  - For Chapter 7: Must be five (5) years from discharge
  - For Chapter 13: Must be two (2) years from discharge

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

### Counseling Requirements

#### *Pre-Purchase Counseling:*

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

#### *Post Purchase Counseling:*

Clients who have a front or back end ratio higher than 50% at the time of closing **must** receive post purchase counseling to increase the likelihood of their success as a homeowner. Such counseling must be completed within six months after the closing date.

### Affordability Periods

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

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

### Repayment Terms and Requirements

#### *Targeted Homebuyer Programs*

Assistance will be provided up to \$12,000 to individuals willing to purchase homes within one of the targeted areas, with the requirement of only having to repay 25% of the actual loan amount at 0% interest and only at the time of resale. Additionally, this program would offer further incentives for schoolteachers, police officers, emergency medical technicians, and firefighters of requiring the repayment only upon re-sale or refinance, contingent of the requirement of meeting a 10 year owner occupancy requirement.

#### *Traditional Homebuyer Programs*

Assistance will be provided up to \$12,000 to individuals at an interest rate of 3%. If the homebuyer is not able to support the entire second lien note at 3%, any portion that cannot be repaid will become a perpetual lien against the property. That amount will be repaid to the City upon sale or transfer of the property. The

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interest rate can be changed with approval of the Quality of Life Council Committee if an entity can demonstrate the following:

- Variance in interest rate allows second lien notes to be sold on the secondary market
- Project uses significant private sector leverage
- Agency has an effective loan-servicing program
- Agency has a homebuyer education program that uses a recognized Homebuyer Education curriculum with a certified Homebuyer Education instructor
- Agency has an existing loan underwriting regimen

### *Eligible Expenses*

First Time Homebuyer programs may include any of the following activities: land acquisition, mortgage subsidy, principal reduction, down payment and closing cost assistance. If the house is sold before the required affordability period has elapsed, the assistance funds must be recaptured or the house may be sold to another eligible low income homebuyer and the subsidy transferred.

## Rental Housing Programs

CDBG and HOME funds may be used to build or rehabilitate affordable single and multi-family rental housing. Transitional and permanent rental housing are both eligible for HOME funding.

### **RENTAL REHABILITATION PROJECTS**

The following guidelines apply for Rental **REHABILITATION** programs and activities. This activity may be implemented by the City of San Antonio or by any non-profit or for profit partner. The Rental Rehabilitation Program of the City of San Antonio shall award funds through a competitive Request for Applications (RFA) when funds are available for allocating.

#### Eligibility:

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

- Single-family (1-4 units) or multi-family (5 or more units) rental dwelling located within the San Antonio City limits.
- Structure requires rehabilitation, at a minimum cost of ~~\$5,000~~\$1,000, of at least one primary system (i.e.: foundation, electrical, plumbing, roof) to resolve code deficiencies.
- The after-rehabilitation rents required to effectively support the property, including the additional rehabilitation project debt service, must be:
  - ⇒ Reasonable in terms of bedroom size, and in accordance with the standard, fair market rate rents for the target neighborhood, or HUD current Section 8 Rental limits, whichever is the lesser; and
  - ⇒ Affordable to lower income tenants (residents at 80% of the area median income) in accordance with HUD Section 8 current Income Guidelines, without further public rental assistance to the family.
- Owners must exhibit a cash equity participation of at least 10% in the rental property proposed for rehabilitation.

Preference will be given to those projects meeting any of the following criteria:

- Units contain two or more bedrooms.
- Property is located within Loop 410.
- Property requires moderate rehabilitation.
- Property is not located within a designated 100-year flood plain.
- Property is not located within one (1) mile of an above ground hazard of other environmental conditions, which may impose a major threat to public health or safety.

*What is "Moderate rehabilitation"?* Moderate rehabilitation is when the cost of repairs does not exceed \$25,000.

#### Loan Terms

##### *Single-Family Dwellings (1-4 units)*

Owners of single-family dwellings are eligible for the 50/50 Combo Loan. The loan includes an "earned forgiveness" to offset costly environmental hazards such as lead-based paint. Those environmental costs

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are subtracted from total rehabilitation expenses. The owner does not have to repay the environmental related cost as long as they comply with program guidelines. The remaining repair costs will be split with the owner. 50% of the cost is offered as a public loan over ten years, interest free, with deferred payments.

*Multi-Family Dwellings (5 or more units)*

Assistance for owners of multi-family rental property can be provided in the form of a low-interest 3 - 5% repayable loan. A repayable loan less than 3% may be considered for projects owned by a for-profit corporation participating in the San Antonio Housing Trust Public Facility Corporation, and for a non-profit housing provider. The public loan will not exceed 50% of the total cost of rehabilitation. The owner must secure the remaining 50% through alternative sources of financing (i.e. private lender). The public loan is limited to only the amount needed to fully fund the required rehabilitation work, not to exceed:

- \$9,500/ unit - Efficiency**
- \$12,500/unit - 1 Bedroom**
- \$15,000/unit - 2 Bedroom**
- \$17,500/unit - 3+ Bedroom**

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

The Period of Affordability applies to both single-family and multi-family projects. The maximum period of affordability required by the City of San Antonio shall be twenty (20) years, in keeping with HUD requirements.

*What is the "Period of Affordability"?* This is the length of time during which the property must be rented to a low income resident at a rent at Fair Market rate (as determined by HUD) or below.

Conditions of all public loans include:

- 1). The property remains residential rental property under the existing ownership for the entire loan term. If the property is transferred by any means during the loan term, the remaining unforgiven portion, plus interest based on the existing market, will become immediately due and payable;
- 2). The owner maintains the property according to the San Antonio Unified Building Code and agrees to allow City personnel to annually inspect the property; and
- 3). The owner provides evidence of having paid annual property taxes and having secured fire and extended insurance coverage for the property.

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- 4). Owners must annually provide the City of San Antonio with the information on rents and occupancy of HOME-assisted units to demonstrate compliance with the affordability rent requirements.
- 5). The owner will maintain reserves for maintenance.
- 6). No further assistance during the affordability period or term of the loan, whichever is longer.

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

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

- (a) accrue at the highest non-usurious rate allowed by law, and
- (b) be immediately payable in addition to the entire outstanding principal amount

### Underwriting Standards

The rental property to be rehabilitated under this program must be financially solvent, based on the standard market criteria, without requiring further infusion of public funds. Therefore, the after-rehabilitation rent revenues must be sufficient to support all operating costs, debt service, and reserve accounts, without unduly increasing rent rates, or securing additional public subsidy. To this effect, a complete pro forma analysis will be completed for each project. In addition to the program application, the owner will be required to provide documentation for the following:

- Proof of ownership of the property to be rehabilitated (Warranty Deed, Mortgage Title Policy, Earnest Money Contract)
- Annual cost of property insurance (copy of annual premium statement)
- Annual property taxes for this property, and proof that all taxes are current
- Mortgage payment schedule for all existing liens, and proof payment is current (annual mortgage statement, original mortgage agreement, and/or monthly bank statement clearly indicating debt service payment)
- Annual utility costs (copies of utility bills)
- Property's current appraised value
- Recent Financial Statement
- Recent Income Statement
- Bid for Construction
- Developer fee not in excess of 15% of total project cost

The loan underwriting pro forma analysis will also include a vacancy factor (5-10%), property maintenance costs (8-10%), property management expenses (3-10%), a reserve for replacement (3% minimum), and owner's return on investment (5-15%). The project pro forma analysis must clearly

## AFFORDABLE HOUSING POLICIES

exhibit uncommitted funds sufficient to fully support the total rehabilitation cost. All operating expenses are to be included in the pro forma as well as all project exemptions.

### Loan Conditions

As a condition of the public sector Rental Rehabilitation Loan, property owners must agree:

- To rent these properties in accordance with Affirmative marketing standards and the current HUD Section 8 rental income guidelines for the Period of Affordability and the federal equal housing opportunity requirements in accordance and the Fair Housing Act.
- Not to discriminate on basis or race, religion or national origin.
- Not to discriminate against lower income prospective tenants, solely on the basis of their receipt of Section 8 Housing assistance support.
- Not to convert the property to condominiums for the duration of the public note.
- To maintain the property in a safe, sanitary and decent condition, in compliance with the City of San Antonio Building Codes throughout the term of the public sector note.
- To provide evidence of having paid annual property taxes and secured fire and extended insurance coverage for the property.
- Comply with Annual Re-certification of tenant's annual income.
- Follow applicable procurement procedures in accordance with Federal Regulatory Guidelines 24CFR Part 85.36.
- To adhere to Lead-Based Paint Abatement guidelines for all properties built 1978 and before.
- To a property inspection one (1) year after the rehabilitation and every two (2) years thereafter during the period of affordability. The owner must agree to cooperate with and assist in this inspection effort, and to resolve all deficiencies cited within the designated correction period allotted.
- To pay real property taxes and maintain adequate fire and extended coverage insurance with City named as co-insured on the subject property for the full term of the loan. The City will require owner to provide documentation of tax payment and insurance coverage on an annual basis.

**?** *What is "Annual Re-certification of income"?* Each year the property owner must document the income of the tenant by reviewing documents such as W-2's, pay stubs, etc. in order to ensure that their income meets the low-income requirements.

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

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

For HOME projects, a determination of fixed or floating HOME units must be made at the time of Loan commitment. Fixed units remain the same throughout the period of affordability. Floating units are changed to maintain conformity so that the total number of housing units meeting the requirements of this section remains the same, and each substituted unit is comparable in terms of size, features, and number of bedrooms to the originally designated HOME-assisted unit.

### Loan Closing

AFFORDABLE HOUSING POLICIES

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

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

Permitted Rehabilitation Program Costs

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

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

Lead-Based Paint

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

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

**NEW CONSTRUCTION RENTAL PROJECTS**

The following rules apply for **NEW CONSTRUCTION** rental programs and activities. This activity may be implemented by the City’s non-profit or for profit development partner. HOME funds can be used for new construction as well as rehabilitation. CDBG funds cannot be used for new construction.

Eligibility

HOME funds may be used to construct a variety of rental units: single family, cottage homes, mid and high-rise or garden apartments. Projects may be mixed income or 100% low income.

Applicants must demonstrate the ability to successfully complete and maintain a newly constructed affordable rental housing development.

All HOME assisted units must benefit residents earning 80% of the Area Median Income or below.

Permitted New Construction Costs

The following costs may be reimbursed with HOME funds:

Hard Costs	Soft Costs
Land and Structure Acquisition	Financing Fees & credit reports
Site preparation, including demolition	Affirmative marketing, initial leasing & marketing costs
Construction Materials and Labor	Title binders and insurance
	Performance bonds and surety fees
	Recording fees
	Legal & accounting fees
	Appraisals
	Soft Costs Continued
	Environmental reviews
	Staff and overhead costs related to project
	Operating deficit reserves (up to 18 months)

Loan Terms

The loan terms will be negotiated between the builder/developer and the City and based on the pro forma.

Leverage

For new construction, the City will support a maximum funding gap of **25%** of the total development cost. Exceptions to this rule may be applied to projects meeting a Special Need (such as construction of transitional housing, elderly developments, housing for persons with AIDS, persons with disabilities, or housing for the mentally challenged.) The City will also consider waiver of this requirement for City pilot programs. The City’s Quality of Life Council Committee will approve these exceptions.

Underwriting Standards

Prior to approval of funding support, developer must provide a valid pro forma, demonstrating funding commitment from all funding sources and the capacity to support all debt service during the period of affordability for HOME funded projects. A current income statement and balance sheet reflecting Total Assets to Total Current Liabilities liquidity ratios that are no greater than 1:1 is the City's standard to

## AFFORDABLE HOUSING POLICIES

ensure the developer has adequate resources to support the project in the event of a commitment failure.

### Monitoring

The agency or City Department implementing a Rental New Construction or Rehabilitation program must obtain information on rents and occupancy of HOME – assisted units to demonstrate compliance with the affordability rent requirements on an annual basis for GMA Monitoring. If the compliance information is not received, that will trigger an investigation into the status of the title for the assisted property.

### Other Requirements for New Construction Projects

#### *Affordability Period*

- All newly constructed rental projects must remain affordable for a period of twenty (20) years.

#### *Collaboration*

- New construction developments must have demonstrated an attempt to collaborate and secure support from organized neighborhood associations (in the area where development is to occur), school districts, and approval of local statutes for zoning and variances required to effectively develop within a targeted area. Additionally, City staff will require that some attention be given to the provision of social and community amenities to meet the needs of the population to be served.

#### *Commitment*

- Firm Commitment of all funds must be demonstrated before City staff will recommend a funding award. If low-income housing tax credits, a public facilities corporation project or other public funding is part of the funding design, the City Council may conditionally approve funding until the other funding round is completed. If the applying entity does not receive the funding commitment, HOME funds will be reprogrammed until the applying entity is able to reapply for tax credits or other funds and receive a letter of approval from the State or other entity.

## **Additional Requirements for ALL Rental Housing Projects**

The following applies for **both** rental rehabilitation and new construction projects funded with HOME or CDBG:

### Maximum Subsidy per Unit

The maximum amount that can be spent for **rehabilitation** of a **single-family rental** house is \$25,000 per unit. The maximum for **rehabilitation** of a unit in a **multi-family** development is:

<b>Efficiency</b>	<b>1BR</b>	<b>2BR</b>	<b>3R+</b>
\$9,500	\$12,500	\$15,000	\$17,500

The maximum that can be spent for new construction of a multi-family rental unit is determined by the 221(d)(3) Limits found on the Office of Grants Monitoring and Administration website.

## AFFORDABLE HOUSING POLICIES

### Tenant Selection/Eligibility

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

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

### Income Eligibility and Re-certification

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

The rent permitted by state law; or

- 30% of the family's adjusted monthly income at annual re-certification.
- If the project was financed with Low Income Housing Tax Credits, the tax credit rent prevails.

### Acceptable Rents for HOME Projects Only

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

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

 **Low HOME Rent:** Thirty percent of the tenant's monthly adjusted income OR thirty percent of the annual income of a family whose income equals 50% of the area median income.

## Tenant Based Rental Assistance

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

### Eligible Uses

TBRA may be provided to:

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

TBRA may assist eligible clients with the following housing costs:

- Rent
- Utility costs
- Security deposits
- Utility deposits

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

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

### Prohibited Uses

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

### Income Targeting and Tenant Eligibility

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

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

### Eligible Units

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

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

### Subsidy Amounts and Tenant Contribution

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

## AFFORDABLE HOUSING POLICIES

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

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

### Other Tenant Requirements

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

A legitimate, legal lease is required for program participants.

### Income Re-Certification

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

### Payment Standard

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

### Termination of Assistance

HOME assistance may be terminated if the following occurs:

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

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

## Maximum Program Assistance Summary

*This portion of the document outlines the maximum allowable assistance*

In order to maximize the dollars available from Community Development Block Grant (CDBG) and the Home Investment Partnership Program (HOME) funds, the City has established maximum levels of assistance for each of the activities eligible under the two programs.

<u>Activity</u>	<u>Maximum Benefit Per Client/Family</u>
• Acquisition (consist of down payment and closing cost assistance only – no construction involved)	\$12,000
• New Construction (Program can include any of the following activities: Development Costs, Principal Reduction, Mortgage Subsidy, Land Acquisition, etc)	\$45,000 which includes: \$10,000 maximum land subsidy; \$35,000 to be applied towards the down-payment assistance and other forms of subsidy
• Single-Family Owner-Occupied Rehabilitation (Traditional)	\$65,000 (not inclusive of lead paint related costs)
• Single-Family owner-Occupied Reconstruction (Traditional)	\$85,000
• Single-Family Owner-Occupied Rehabilitation (Targeted)	Standard Loan \$25,000 Maximum \$40,000 Maximum Exception \$50,000 (Seniors/Disabilities)
• Major Systems Repair	\$15,000
• Minor Repair/Emergency Assistance	\$5,000
• Single-Family Rental Housing Rehabilitation	\$25,000
• Multifamily Rental Housing Rehabilitation	Up to \$9,500 for Efficiency Up to \$12,500 for 1 BR Up to \$15,000 for 2 BR Up to \$17,500 for 3+ BR
• Multifamily Rental Housing New Construction	Up to \$50,232 for Efficiency Up to \$57,917 for 1BR Up to \$69,849 for 2BR Up to \$89,409 for 3BR Up to \$99,605 for 4BR

## AFFORDABLE HOUSING POLICIES

- Commercial Historic Preservation Façade Improvement up to \$15,000 match grant (owner’s match must be of non-federal sources with covenant restriction)
- Owner Occupied Rehabilitation Historic Preservation Subsidy up to \$7,000 grant in addition to maximum rehabilitation benefit
- Dangerous Structure Stabilization up to \$5,000 with lien – due upon transfer or sale of property
- Commercial Industrial or Public Facility – rehabilitation up to \$25,000 grant with covenant restriction
- Project delivery fee for historic preservation activities up to 10% of funded amount

Funded entities have the flexibility to decide whether a particular income eligible client will receive the maximum benefit allowable based on the applicants needs and ability to repay, or the agency’s program design.

Lead-Based Paint: Any assistance to a developer or homeowner to eliminate or alleviate lead-based paint hazards will be provided as a grant.

**Please note that maximum assistance per client/family will include the following: ADA modifications, weatherization, and funds for environmental remediation.**

- ? *What does “Principal Reduction” mean?* – “Principal Reduction” is when the principal amount of a mortgage loan (does not include interest) is reduced for a low income homebuyer in order to make the home purchase more affordable.
- ? *What does “Mortgage Subsidy” mean?* – “Mortgage Subsidy” makes a home more affordable to a low-income homebuyer by reducing the amount of the mortgage loan required from the bank. It is similar to “principal reduction”.
- ? *What does “Reconstruction” mean?* – “Reconstruction” means that an old structure, which is not feasible for rehabilitation, is demolished and a brand new house is built on the same lot.
- ? *What does “Development Cost Subsidy” mean?* – “Development Cost Subsidy” are funds that are provided to a developer of newly constructed homes to help pay for some of the costs associated with making the land ready for construction. The result should be a lower priced home for the homebuyer.

Maximum program benefits will be revisited and updated on an annual basis. Staff will review the established maximums and revisit them based on inflation, cost of construction materials and other market conditions. Staff will recommend changes to the Quality of Life Council Committee. The Committee will adopt the changes to these benefits.

## General Program Rules

*This portion of the manual recaps general rules that apply to all housing activities.*

The following rules apply for all housing programs funded with City of San Antonio CDBG and/or HOME funds.

### Environmental Review Requirements

Office of Grants Monitoring and Administration requires an environmental review of each property to ensure that it meets this criterion. For larger projects, a Phase I Environmental Assessment will be necessary. For every project, an Environmental Review must be prepared and submitted for approval to the Office of Grants Monitoring and Administration and if applicable by HUD.

### Income Eligibility

For CDBG, if a project directly benefits a person or family, they must be low or moderate income (below 80% of Area Median Income). For CDBG projects that do not directly benefit an individual, a minimum of 51% of the project beneficiaries must be low to moderate income. For the HOME program, all program participants must have incomes at 80% of the Area Median Income or below, as established by HUD. In certain special circumstances, CDBG funds can assist persons who are up to 120% of the Area Median Income. These special circumstances will be reviewed on a case by case basis.

### Acceptable Credit

All households that are assisted must have acceptable credit. Acceptable credit is defined as follows:

- 12 month current payment history for rent and/or utilities will be the standard. No more than three (3) late payments in a year's time will be accepted.
- No bankruptcy within the following timeframe:
  - For Chapter 7: Must be five (5) years from discharge
  - For Chapter 13: Must be two (2) years from discharge
- Families who have outstanding abstract judgments may not be assisted.

### Affordability Periods

Properties that are assisted will be required to remain affordable for a period of time dependent on the amount of funding invested.

Amount of CDBG or HOME funds	Minimum Period of Affordability
Under \$15,000	Five (5) years
\$15,000 - \$40,000	Ten (10) years
Over \$40,000 or rehabilitation involving refinancing (special circumstances only)	Fifteen (15) years
New Construction of rental housing	20 years

### Location of Properties

## AFFORDABLE HOUSING POLICIES

All properties must be located inside the established legal limits for the City of San Antonio.

### Residency Requirement

All households that are assisted must be United States Citizens or Legal Resident Aliens. Each contributing member of the household must meet this requirement.

## Application Guidelines

*This portion of the manual outlines the application process for seeking CDBG and HOME support for affordable housing projects.*

**A**N application demonstrating the capacity to implement the proposed project is necessary for consideration for CDBG or HOME funding. While City staff reviews the applications and makes recommendations, the City Council makes the final decision on the allocation of funds.

The City's Office of Grants Monitoring and Administration is responsible for accepting and evaluating all applications and proposals for the use of CDBG and HOME funds, including the HOME CHDO set aside funds.

**?** *What are "HOME CHDO set aside funds"?* – HUD has mandated that a minimum of 15% of the city's annual HOME allocation be reserved for use by Community Housing Development Organizations or CHDOs.

An application must be submitted in order for a project to be considered for CDBG or HOME funding. Review shall be subject to its meeting eligibility, National Objectives, funding availability and immediate need. Generally, applications are called for early each calendar year for projects to be funded in the next fiscal year. Please contact the Office of Grants Monitoring and Administration for the most current application. Organization seeking reprogram dollars shall submit a GMA application.

Grants Monitoring and Administration staff will review all applications submitted rate them and provide recommendations to the City Council, upon approval of the City Manager's office. The recommendations will be based on the applicant proposal scores. **The City Council makes all final decisions on allocation of CDBG and HOME funds.**

Applications will be evaluated and rated based on the following criteria:

- Responsiveness to the application format and content
- Extent of partnerships and collaboration
- Budget
- Applicant Capacity

Scores will be based on a 100-point scale. A minimum score of 70% is required for staff to recommend the project to the City Council for consideration for funding.

With approval from the Quality of Life Council Committee, the Office of Grants Monitoring and Administration may issue a request for qualifications (RFQ) for developers to implement a specific City driven project leveraging private dollars with CDBG and/or HOME funds.

The City will not allocate funding to any agency or City Department that has more than two years of uncommitted CDBG and/or HOME funds on its books. This rule applies by specific activity. If the agency has more than two years of CDBG/HOME funding, it must demonstrate strong evidence of commitment or extenuating circumstances that have caused a delay in expending the funds. In that instance, an agency may be considered for additional funding.

## Community Housing Development Organizations (CHDOs)

*This portion of the manual outlines the requirements and expectations for City of San Antonio Community Housing Development Organizations.*

One of the goals of the Home Investment Partnership Program (HOME) is to expand the capacity of non-profit housing providers. In order to ensure the accomplishment of this goal, HUD requires that 15% of the HOME allocation each year be made available to Community Housing Development Organizations (CHDOs). HUD has established minimum criteria for eligibility as a CHDO. In addition, the City has established criteria to ensure that the goals established in the Housing Policies can be accomplished.

Non Profit organizations seeking CHDO status must meet the following criteria:

### 1. LEGAL STATUS

- a) Evidence of organization as a non-profit under state and local law;
- b) No part of net earnings benefit any member, founder, contributor or individual;
- c) Evidence of IRS Tax Exempt status (501(c)(3) or 905 From IRS);
- d) Evidence of purpose to provide decent affordable housing to low and moderate income families (Organization's strategic plan must include an affordable housing initiative.);

### 2. CAPACITY

- a) Conforms to financial accounting standards as defined in OMB Circular A-133;
- b) Demonstrated capacity to carry out activities proposed with HOME funds;
- c) History of serving the community where assisted housing is to be provided with HOME funds. Organization must show evidence of operating in San Antonio for at least three years prior to CHDO application.

### 3. ORGANIZATIONAL STRUCTURE

- a) Maintains 1/3 of its governing board membership from residents of low-income neighborhoods or low income neighborhood organizations in San Antonio;
- b) At least  $\frac{3}{4}$  of board members must reside in the San Antonio MSA;
- c) Provides a formal process for low income potential program beneficiaries to advise the organization in all phases of the development of HOME assisted projects including design, development and management decisions;
- d) CHDO may only have a maximum of 1/3 of its board members consist of representatives of the public sector. A representative of the public sector is elected official, appointed public official, public employee, or an individual who is appointed by a public official. Representatives of the public sector appointed by an public official may not select the other 2/3 members of the board, such that more than 1/3 of the members can be traced back to public officials;
- e) A CHDO sponsored or created by a for-profit entity may not have more than 1/3 its board membership appointed by the for-profit entity, and the board members appointed by the for-profit may not, in turn, appoint the remaining 2/3 of the board membership.

#### **4. RELATIONSHIP WITH FOR-PROFIT ENTITIES**

- a) CHDO is not controlled or under the direction of for-profit entities or individual seeking profit from the organization;
- b) CHDO is free to contract for goods and services from vendors of its own choosing.

#### **5. SERVICE AREA**

- a) Applicant must provide a description of proposed site for development or service area boundaries;
- b) Service area and proposed projects must be within the city limits of the City of San Antonio.

CHDO partnerships are allowable. For example, a local CHDO can partner with an agency/developer that is not based in San Antonio to do a project. Or a local CHDO can sponsor an outside CHDO on a specific project.

#### CHDO Certification Process

Applicants must submit the necessary materials to meet the criteria outlined above to the Office of Grants Monitoring and Administration in order to be considered for CHDO status. Applications will be accepted by the Office of Grants Monitoring and Administration in October of each year, unless otherwise noted. A Request for Qualifications will be issued. If CHDO designation has already been secured, it must be updated each year. A CHDO must apply for re-certification each year in order to continue to be a CHDO in good standing. Re-certification will occur in October. CHDOs will be notified annually on the Request for Qualifications Schedule of Events by the Office of Grants Monitoring and Administration.

#### Applying for CHDO Set Aside Funds

Eligible CHDOs may apply to the City's Office of Grants Monitoring and Administration through the Annual Request for Qualifications (RFQ) process. The Office of Grants Monitoring and Administration will allocate a minimum of 15% of the HOME allocation for CHDOs to perform CHDO eligible activities. To be considered a "CHDO Activity", the CHDO must own, develop, or sponsor the housing project. All applications for CHDO funds must demonstrate adherence to goals outlined in the Housing Master Plan and the City of San Antonio Consolidated Plan.

## Lead-Based Paint Requirements

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

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

This section does **not** outline the City programs that are available to provide financial assistance in relation to lead abatement. Please contact the City's Housing and Neighborhood Services Department for that information. **Please note, however, that any financial assistance provided by the City to address lead based paint will be in the form of a GRANT to the homeowner or developer.**

### For Down-Payment Assistance Programs:

The following are HUD's **requirements** See 24 CFR part 35 (subpart K):

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

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

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

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

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

See 24 CFR Part 35 (subpart J)

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

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

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

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

For cases where **less than or equal to \$5,000** will be spent on the rehabilitation:

*Testing:* Paint Testing of surfaces that will be disturbed by the rehabilitation activities must occur.

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

For cases where **\$5,001 to \$25,000** will be spent on the rehabilitation:

*Testing:* Paint testing of surfaces to be disturbed by rehabilitation must occur. In addition, a risk assessment must be performed.

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

For cases where **more than \$25,000** will be spent on the rehabilitation:

*Testing:* Paint testing of surfaces to be disturbed by rehabilitation must occur. In addition, a risk assessment must be performed

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

Calculating the level of rehabilitation assistance:

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

## Universal Design & Design Guidelines

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

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

### Universal Design

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

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

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

### Universal Design Waiver of Exterior Accessibility Requirements

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

### Universal Design Implementation

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

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

### Design Guidelines

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

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

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

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

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

## APPENDICES

- Appendix 1: Housing Master Plan Goals and Objectives
- Appendix 2: COSA Affordable Home Price Limit
- Appendix 3: Regulatory References
- Appendix 4: CHDO Checklist Items
- Appendix 5: HUD Approved/Disapproved Closing Costs
- Appendix 6: HOME Program Recapture and Resale Policy
- Appendix 7: City of San Antonio Affirmative Fair Housing Marketing Policy (AFHMP)
- Appendix 8: Residential Anti-Displacement and Relocation Assistance Plan (RARAP)

**Please see the Office of Grants Monitoring and Administration website for current Limits and Rents.**

<http://www.sanantonio.gov/gma/resources/documents.aspx>

## APPENDIX 1

# Housing Master Plan Goals & Objectives

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### **GOAL 1: Expand affordable housing opportunities.**

Objective 1.1: Rehabilitate existing single and multi-family housing units to provide additional housing units.

Objective 1.2: Provide infill housing development to provide new housing stock in older neighborhoods.

Objective 1.3: Support non-profit housing providers through the provision of capacity building and technical assistance.

Objective 1.4: Increase the participation of community and faith-based organizations in revitalization efforts.

Objective 1.5: Establish a standard allotment of CDBG funding to support housing development.

Objective 1.6: Redefine SADA's role in revitalization efforts to take advantage of their unique powers for land acquisition and land assembly.

Objective 1.7: Increase resources dedicated to housing and revitalization.

Objective 1.8: Expand housing rehabilitation efforts utilizing volunteer support and resources.

### **Goal 2: Expand special needs housing opportunities.**

Objective 2.1: Develop alternatives to the traditional housing development models to serve special needs populations.

Objective 2.2: Continue to stimulate a spirit of cooperation among service providers through the Continuum of Care process.

Objective 2.3: Work with special needs providers to establish relationships with other funding sources and assist in the development of their funding proposals.

Objective 2.4: Work with neighborhood associations to relieve Not In My Back Yard (NIMBY) attitudes.

### **Goal 3: Encourage desirable housing development projects.**

Objective 3.1: Stimulate increased production of units for downtown housing development.

Objective 3.2: Encourage mix-use development inside Loop 410.

## AFFORDABLE HOUSING POLICIES

Objective 3.3: Develop a program in support of Sustainable Development.

Objective 3.4: Encourage adaptive reuse projects.

Objective 3.5: Encourage retail and supportive services in close proximity to inner-city housing initiatives.

Objective 3.6: Encourage the design and development of Walk-able Communities.

Objective 3.7: Assist developers with removing barriers in the development process.

Objective 3.8: Implement the Incentive Toolkit and expand the use of TIF, PID, tax abatement, and fee abatements as incentives for desirable housing development.

Objective 3.9: Encourage infill housing production.

### **Goal 4: Encourage the development of partnership between developers, financial institutions and nonprofit agencies.**

Objective 4.1: Establish short and long-term goals and evaluate progress in an annual gathering of housing interests.

Objective 4.2: Institute a periodic, informal networking get-together of individuals interested in housing development to extend the networks established at the Housing Summit.

Objective 4.3: Encourage for-profit development corporations to partner with non-profit organizations when applying to City funded development programs.

Objective 4.4: Identify opportunities to implement programs utilizing initiatives from Fannie Mae, the Federal Home Loan Bank, and others.

### **Goal 5: Improve program efficiencies.**

Objective 5.1 Assist a larger number of clients through benefit caps.

Objective 5.2: Establish a formal process for the evaluation of proposals.

Objective 5.3: Institute a citizen's advisory committee to provide input to the Community Development and HOME programs.

Objective 5.4: Remove Administrative barriers from the process.

Objective 5.5: Establish uniform monitoring and evaluation processes for internal and external agencies involved in the housing delivery system.

Objective 5.6: Provide web-based application and monitoring processes to facilitate program participation.

Objective 5.7: Target funding programs to concentrate the impact of redevelopment activities.

Objective 5.8: Reduce costs and improve efficiency of the housing rehabilitation assistance programs.

**Goal 6: Encourage urban design standards and amenities.**

Objective 6.1: Incorporate “defensible” neighborhood concepts into subdivision design.

Objective 6.2: Improve image and identity of existing neighborhoods.

## APPENDIX 2

### Affordable Home Price Limit

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The maximum sales price of an “affordable” single family home in the City of San Antonio is **\$120,000**. This limit has been determined by the City Council and will be reevaluated periodically.

## APPENDIX 3

### Regulatory References

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

The regulations for **CDBG** are located at 24 CFR Part 570:

#### **Part 570 - Community Development Block Grants**

##### **Subpart A - General Provisions**

<b>Section</b>	<b>Title</b>
<u>570.1</u>	Purpose and Primary Objective
<u>570.2</u>	Removed
<u>570.3</u>	Definitions
<u>570.4</u>	Allocation of Funds
<u>570.5</u>	Waivers

##### **Subpart C - Eligible Activities**

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

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

AFFORDABLE HOUSING POLICIES

**Section Title**

**SUBPART A - GENERAL**

- 92.1 Overview
- 92.2 Definitions
- 92.4 Waivers and Suspension of Requirements for Disaster Areas

**SUBPART B - ALLOCATION FORMULA**

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

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

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

**SUBPART D - SUBMISSION REQUIREMENTS**

- 92.150 Submission Requirements

**SUBPART E - PROGRAM REQUIREMENTS**

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

## **Lead Based Paint Regulations**

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

24 CFR Parts 35, 91, 92, 200, 203, 206, 280, 291, 511, 570, 572, 573, 574, 576, 582, 583, 585, 761, 881, 882, 883, 886, 891, 901, 906, 941, 965, 968, 970, 982, 983, 1000, 1003, and 1005

**Requirements for Notification, Evaluation and Reduction of Lead-Based**

**Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance**

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

**ACTION:** Final rule.

**SUMMARY:** The purpose of this rule is to ensure that housing receiving Federal assistance and federally owned housing that is to be sold does not pose lead-based paint hazards to young children. It implements sections 1012 and 1013 of the Residential Lead-Based Paint Hazard Reduction Act of 1992, which is Title X of the Housing and Community Development Act of 1992.

The requirements of this rule are based on the practical experience of cities, states and others who have been controlling lead-based paint hazards in low-income privately-owned housing and public housing through HUD assistance. It also reflects the results of new scientific and technological research and innovation on the sources, effects, costs, and methods of evaluating and controlling lead hazards. With today's action, HUD's lead-based paint requirements for all Federal programs are now consolidated in one part of title 24 of the Code of Federal Regulations.

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

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

**Subpart A**—Disclosure of Known Lead-Based Paint Hazards upon Sale or Lease of Residential Property

**Subpart B**—General Lead-Based Paint Requirements and Definitions for All Programs

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

**Subpart C**—Disposition of Residential Property Owned by a Federal Agency Other Than HUD

**Subpart D**—Project-Based Assistance Provided by a Federal Agency Other than HUD

**Subpart E**—Reserved

**Subpart F**—HUD-Owned Single Family Property

**Subpart G**—Multifamily Mortgage Insurance

**Subpart H**—Project-Based Rental Assistance

AFFORDABLE HOUSING POLICIES

**Subpart I**—HUD-Owned and Mortgagee-in-Possession Multifamily Property

**Subpart J**—Rehabilitation

**Subpart K**—Acquisition, Leasing, Support Services, or Operation

**Subpart L**—Public Housing Programs

**Subpart M**—Tenant-Based Rental Assistance

**Subparts N–Q**—Reserved

**Subpart R**—Methods and Standards for Lead-Based Paint Hazard Evaluation and Reduction Activities

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

# APPENDIX 4

## CHDO Checklist Items

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Information listed below must be submitted for each organization seeking City of San Antonio CHDO status or re-certification.

### 1. LEGAL STATUS

- a. Evidence of organization as a non-profit under state and local law:
- b. No part of net earnings benefit any member, founder, contributor or individual
- c. Evidence of IRS 501(c) Tax Exempt status
- d. Evidence of purpose to provide decent affordable housing to low and moderate-income families. The organization's strategic plan must include an affordable housing initiative.

### 2. CAPACITY

- a. Conforms to financial accounting standards as defined in OMB Circular A-133:
- b. Demonstrated capacity to carry out activities proposed with HOME funds
- c. History of serving the community where assisted housing is to be provided with HOME funds. Organization must show evidence of operating in San Antonio for at least three years prior to CHDO application.

### 3. ORGANIZATIONAL STRUCTURE

- a. Maintains 1/3 of its governing board membership from residents of low-income neighborhoods or low-income neighborhood organizations in San Antonio.
- b. At least  $\frac{3}{4}$  of board members must reside in the San Antonio MSA.
- c. Provides a formal process for low-income potential program beneficiaries to advise the organization in all phases of the development of HOME assisted projects including design, development and management decisions.
- d. CHDO may only have a maximum of 1/3 of its board members consist of representatives of the public sector. A representative of the public sector is elected official, appointed public official, public employee, or an individual is appointed by a public official. Representatives of the public sector appointed by a public official may not select the other 2/3 members of the board, such that more than 1/3 of the members can be traced back to public officials.
- e. A CHDO sponsored or created by a for-profit entity may not have more than 1/3 its board membership appointed by the for-profit entity, and the board members appointed by the for-profit may not, in turn, appoint the remaining 2/3 of the board membership:

**4. RELATIONSHIP WITH FOR-PROFIT ENTITIES**

- a. CHDO is not controlled or under the direction of for-profit entities or individual seeking profit from the organization
- b. CHDO is free to contact for goods and services from vendors of its own choosing

**5. SERVICE AREA**

- a. Applicant must provide a description of proposed site for development or service area boundaries.
- b. Service area and proposed projects must be within the city limits of the City of San Antonio.

## APPENDIX 5

### HUD Approved/Disapproved Closing Costs

<b>ALLOWABLE</b>	<b>DISAPPROVED</b>
Prepays	Mortgage Insurance Premium (MIP)
Hazard Insurance (14 months)	Courier Fees
Property Taxes (2 months)	Tax Service Fee
Accrued Interest (7 days)	Closing Investor Fee
Closing Costs	Tax Certificate
Credit Report	Application Fee
Closing Fee/Title Company	Attorney Fees
Appraisal	Discount Fees/Buy-down fee
Origination Fee 1%	Commission (Real Estate)
Buyer's Broker Fees	Participation Fee
Recording Fees	Processing Fee lender or RE Broker Fee
Environmental Inspection	Recording fee assignment to investor
Survey	Transfer and HOA fees
Flood Certification	Underwriter Fees and other excess fees
Pest Inspection	
Document Preparation/Title Company	
Commitment Fee	

## APPENDIX 6

# HOME Program Recapture/Resale Requirements for Homebuyer Activities

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

### Definitions

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

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

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

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

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

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

## Recapture Requirements

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

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

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

**Example:**

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

<p><b>1) Net Proceeds</b>                  \$175,000 (Sales proceeds)                  -\$150,000 (Private debt)                  -\$ 5,000 (Closing costs)                  \$ 20,000 (Net proceeds)</p>	<p><b>2) Reduction to Direct Subsidy</b>  <math>\\$30,000 \times 10\% = \\$3,000/\text{year}</math>  <math>6 \text{ years} \times \\$3,000/\text{year} = \\$18,000</math> forgiven  <math>\\$30,000 - \\$18,000 = \\$12,000</math></p>	<p><b>3) Amount to Recapture</b>                  \$12,000 - City; \$8,000 - Owner</p>
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In the event the Homebuyer sells the property during the affordability period, and the net proceeds are not sufficient to repay the City the lesser of either the actual balance owed on the subsidy OR the remaining balance according to the affordability period, the City shall recapture any and all net proceeds.

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

## Resale Requirements

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

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

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

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

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

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

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

# APPENDIX 7

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

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The Affirmative Fair Housing Marketing (AFHM) Plan is a marketing strategy or approach designed to attract renters and buyers that would be least likely to apply to assisted multi-family or single-family developments. The City of San Antonio requires that all recipients and sub-recipients of HOME or CDBG funds, for all projects resulting in five (5) or more assisted housing units, implement affirmative marketing approaches as part of the overall marketing strategy. To market affirmatively means that a good faith effort is made to attract to a project those minority or majority groups who are least likely to apply or are underrepresented in a neighborhood or community. Good faith efforts are recorded activities and documented outreach to those individuals identified as least likely to apply.

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

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

### I. Regulations

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

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

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

### II. Policy on Nondiscrimination and Accessibility

The recipient/managing agent shall not discriminate against any individual or family because of race, color, national origin, religion, gender, disability, familial status or presence of children in a household. Reasonable accommodations<sup>1</sup> will be offered to all disabled persons who request accommodations due to disability at any time during the application, resident selection and rent up process.

### III. Training

1. The recipient/managing agent shall provide property management staff with all relevant regulations and Fair Housing provisions. All property management staff shall be required to follow the procedures and policies adopted by the recipient/managing agent. In the event that property management staff requires fair housing technical assistance, staff is to call the **City of San Antonio Fair Housing Office (210-207-5910)**. For information on disability sensitivity training or Americans with Disabilities Act requirements related to Fair Housing, contact the **City of San Antonio Disability Access Office (210-207-7957)**.
2. Regular training programs shall include marketing, outreach, data collection, reporting, and record keeping. Property management staff shall annually receive instruction regarding fair housing laws and the recipient/managing agent's Affirmative Marketing Plan.

### IV. Marketing and Outreach

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



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

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<sup>1</sup> Reasonable Accommodation Explanation and Examples:

As a landlord you may not refuse renters that want to make reasonable accommodations to their dwelling or common use area, at their expense if necessary for the disabled person to use the housing. Where reasonable, you may permit changes only if tenants agree to restore the property to its original condition when they move. Or, you may agree to pay for some or all of the requested modifications. You may not refuse to make reasonable accommodations in rules, policies, practices or services if it is necessary for the disabled person to use the housing.

Example: A 'no pets' policy must allow a visually impaired tenant to keep a guide dog.

Example: An apartment complex that offers tenants' ample, unassigned parking must honor a request for a mobility-impaired tenant for a reserved space near his/her apartment if necessary to assure that he/she will have access to the apartment.

- b. Native Americans
  - c. Hispanics
  - d. Asians and Pacific Islanders
  - e. Disabled Persons
3. Marketing shall include the use of newspapers of general circulation in San Antonio. The recipient/managing agent will place notices in newspapers, specialized publications, and newsletters to reach potential residents. Applications, notices, and all publications will include a Fair Housing and Equal Opportunity Logo, and the Accessibility Logo.
  4. The recipient/managing agent will contact local civic and community organizations representative of the ethnic and cultural diversity of the area in order to disseminate information about the development. Groups representing disabled and elderly individuals will also be contacted. Where necessary, recipient/managing agent will publish its marketing materials in multiple languages and alternate formats as requested in order to better reach potential recipients and sub-recipients in the area with language limitations.

**V. Race and Ethnic Data Collection and Reporting**

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

**VI. Compliance Assessment**

1. The recipient/managing agent will review the Affirmative Marketing Plan every year and update as needed to ensure compliance. The advertising sources will be included in the review to determine if past sources should be changed or expanded.
2. The recipient/managing agent will annually assess the success of affirmative marketing actions for the project. If the demographic data of the residents vary significantly from the jurisdiction’s population data, advertising efforts and outreach will be targeted to underrepresented groups in an attempt to balance the residents with the demographics of the jurisdiction. The recipient/managing agent shall submit any changes to the plan to the Fair Housing Office.

**VII. Record Keeping**

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

2. Recipient/managing agent shall keep up-to-date records based on census data, applications, and surveys about community residents, recipients and sub-recipients, residents of the project, and records about tenant selection or rejection.
2. The recipient/managing agent shall provide City staff access to any pertinent books, documents, papers or other records of their properties, as necessary, for determining compliance with civil rights and nondiscrimination requirements.

## APPENDIX 8

# Residential Anti-Displacement and Relocation Assistance Plan (RARAP)

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

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

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

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

## **Relocation Assistance to Displaced Persons**

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

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

## **One-for-One Replacement of Lower-Income Dwelling Units**

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

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

1. A description of the proposed assisted project;
2. The address, number of bedrooms, and location on a map of lower-income dwelling units that will be demolished or converted to a use other than as lower-income dwelling units as a result of an assisted project;
3. A time schedule for the commencement and completion of the demolition or conversion;
4. To the extent known, the address, number of lower-income dwelling units by size (number of bedrooms) and location on a map of the replacement lower-income housing that has been or will be provided. NOTE: See also 24 CFR 42.375(d).
5. The source of funding and a time schedule for the provision of the replacement dwelling units;
6. The basis for concluding that each replacement dwelling unit will remain a lower-income dwelling unit for at least 10 years from the date of initial occupancy; and
7. Information demonstrating that any proposed replacement of lower-income dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the HUD-approved Consolidated Plan and 24 CFR 42.375(b).

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

### **Replacement not required Based on Unit Availability**

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

### **Contacts**

The Housing Division of the Office of Grants Monitoring and Administration (210-207-6600) is responsible for tracking the replacement of lower income dwelling units and ensuring that they are provided within the required period. This office will also ensure that relocation payments and other relocation assistance are provided to any lower-income person displaced by the demolition of any dwelling unit or the conversion of lower-income dwelling units to another use.

# APPENDIX 9

## City of San Antonio Income Limits and Part 5 Calculation Worksheet

2013 HOME Program Rent and Income Guidelines									
<b>2012 HOME PROGRAM RENTS</b>									
SAN ANTONIO-NEW BRAUNFELS, TEXAS HUD Metro FMR Area									
			<b>Efficiency</b>	<b>1 BR</b>	<b>2 BR</b>	<b>3 BR</b>	<b>4BR</b>	<b>5BR</b>	<b>6BR</b>
	<b>LOW HOME RENT LIMIT</b>		\$532	\$570	\$685	\$790	\$882	\$973	\$1,064
	<b>HIGH HOME RENT LIMIT</b>		\$614	\$683	\$842	\$980	\$1,089	\$1,182	\$1,277
	<b>FAIR MARKET RENT</b>		\$553	\$616	\$760	\$980	\$1,191	\$1,370	\$1,548
	<b>50% RENT LIMIT</b>		\$532	\$570	\$685	\$790	\$882	\$973	\$1,064
	<b>65% RENT LIMIT</b>		\$671	\$721	\$867	\$994	\$1,089	\$1,182	\$1,277
<b>U.S. Department of HUD Effective January 20, 2012</b>									

<b><u>FY 2014 Income Limits - City of San Antonio</u></b>									
Median Income	Income Limit Category	HH Size 1	HH Size 2	HH Size 3	HH Size 4	HH Size 5	HH Size 6	HH Size 7	HH Size 8
\$58,800	Very Low Income (50%)	20,600	23,550	26,500	<b>29,400</b>	31,800	34,150	36,500	38,850
	Low Income (80%)	32,950	37,650	42,350	<b>47,050</b>	50,850	54,600	58,350	62,150