



COUNTY OF HIDALGO
URBAN COUNTY PROGRAM – HOME DIVISION
427 E. Duranta, Ste. 107
Alamo, TX 78516
telephone: 956-781-8127
fax: 956-318-2988
email: ucp@co.hidalgo.tx.us

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

POLICIES MANUAL

Home Investments Partnership Program

Table of Contents

	Page#
Introduction	4
I. HOME Investments Partnership Program	
A. HOME Objectives	5
B. Community Housing Development Organizations	5
C. Contractual Agreement	5
II. Applications for Funding	
A. HOME Investments Partnerships Program Application.....	5
III. Financial Management	
A. Budget Development Process	
B. Budget Types and Cost Categories	8
C. Budget Revisions	9
D. Fiscal Records	10
E. Expenditures.....	10
F. Reimbursement	12
G. Inspections	12
H. CHDO Proceeds	12
IV. Administrative Provisions	
A. Written Agreement with UCP	13
B. Post-Award Responsibilities	13
C. Federal Requirements	13
D. Insurance.....	19
E. Homebuyer Assistance and Recapture Policy.....	19
F. Project Documentation and Reporting	21
V. Procurement and Contracting – Procedures and Requirements	
A. Procurement	23
B. Subcontracts	23

VI. Buyer Eligibility and Underwriting

A. HUD Income Guidelines 25
B. Underwriting Requirements..... 25

VII. Implementation of FY2012 HOME Appropriation Law

A. Four-Year Project Completion 26
B. Assessment of Project Underwriting, Developer Capacity, and Market Need..... 26
C. Conversion of Homebuyer Units to Rental Units..... 27
D. CHDO Development Capacity 27

VIII. Monitoring and Documentation

A. Monitoring 28
B. Client Documentation by CHDO 29

IX. Exhibits

A. CHDO Qualifications Checklist 31
B. Insurance Requirements 38

Introduction

The County of Hidalgo administers funding through its Urban County Program (UCP) for the HOME Investments Partnership Program (HOME) which is used to support activities that benefit low- and moderate income households.

This manual sets forth policies for the administration of programs and projects funded by the Urban County HOME program. Although some portions of these procedures are complicated and involve complex Federal regulations and policies, this manual summarizes the essential elements for proper program operation.

No handbook can address every type of administrative/accounting problem or situation that may arise during the course of the contract year; therefore the County's UCP staff is available to respond to requests for clarification or additional information.

In the event that new policies are implemented during the contract period, UCP staff will provide timely notification and technical assistance.

This manual is neither intended to be all inclusive nor so restrictive that it cannot be amended.

UCP Program Mailing Address: County of Hidalgo

Urban County Program
427 E. Durana, Ste. 107
Alamo, TX 78516

Telephone: 956-787-8127

Fax: 956-318-2988

I. HOME Investment Partnerships Program

A. HOME Objectives:

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

HOME funds are used to achieve the following objectives:

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

B. Community Housing Development Organizations:

The UCP will utilize no less than fifteen percent (15%) of its HOME annual allocation for Community Housing Development Organizations (CHDO) activities. HOME funds are allocated annually on an application basis to entities proposing programs or projects that address the stated HOME objectives.

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

A *Community Housing Development Organization (CHDO)* is a private nonprofit organization that has among its purposes the provision of decent housing that is affordable to low- and moderate income persons as evidenced in its charter, articles of incorporation, resolutions, or by-laws. A CHDO may apply for funding in the capacity of a Developer, Owner, or Sponsor, but only CHDOs may apply for a HUD mandated set-aside percentage of local HOME funds. See "CHDO Qualifications Checklist" attached hereto as Exhibit "A" for organizational requirements of a CHDO.

C. Contractual Agreement

Prior to the release of HOME funds from the County, a written agreement must be executed with the CHDO. The agreement remains in effect during any period that the CHDO is operating a program or implementing a project in which HOME funds are being invested.

II. Applications for Funding

All organizations requesting HOME funds from the UCP must submit an application that provides information regarding the organization, its corporate and financial structure, and a specific proposal for a program or project.

UCP staff issues a Request for Proposals and accepts applications only once each fiscal year and/or upon funding availability. This is to allow UCP staff sufficient time to review each proposal and make recommendations to the County of Hidalgo Commissioner's Court, which in turn approves or denies each request and allocates the available funds accordingly.

Application information:

A. HOME Investments Partnership Program Application

1. National Objectives

Organizations requesting HOME funds must identify the specific type of project for which it is requesting funding. The applicant must also certify that those activities meet the HOME national objectives and that they benefit low- and moderate income persons. Applicants must also indicate if they are CHDOs and if they are requesting CHDO funds.

2. Scope of Services

The applicant must submit a clear and concise narrative description of the proposed program or project that includes quantifiable goals and objectives, methods of approach, and a "Project Development Schedule".

3. Budget Proposal

- a. The applicant must submit a proposed budget that identifies the sources and uses of all funds supporting its project.
- b. If the applicant is requesting designation as a CHDO, and/or requesting CHDO funds, the CHDO must provide its operating costs.

4. Disclosures

a. Organizational Structure:

All applicants must submit qualifying information detailing the organizational and management structure of the entity requesting assistance. Such information includes:

- 1) The charter or mission statement of the organization.
- 2) Documentation of non-profit status.
- 3) Documentation of CHDO status (if applicable).
- 4) Articles of incorporation and by-laws.
- 5) Identification of members of Board of Directors (1/3 minimum requirement for low-income representation and maximum 1/3 public sector representation).

- 6) Organizational chart listing current employees and job titles.
- 7) Personnel and Procurement policies and procedures.
- 8) Documentation of employer status.
- 9) Identification of officials authorized to negotiate and enter into contracts.

b. Financial Management:

The applicant must submit the following information related to its fiscal management capacity:

- 1) Resumes of its Chief Program Administrator and Chief Fiscal Officer (or equivalent).
- 2) Organizational budget which describes the applicant's current operating budget (listing all funding sources), exclusive of the proposed program or project.
- 3) Information regarding the applicant's accounting systems, reporting and payment procedures, and audit requirements.
- 4) Most recent audit or financial statement.

5. Certifications

a. Certification of Application:

The applicant's Board of Directors must certify that if its proposal is approved and funded by the County, all relevant federal, state, and local regulations will be adhered to. In addition, the applicant must verify that it is fully capable of fulfilling the obligations related to its proposal.

b. Certification of Affiliation:

All members of the Board of Directors, officers, workers, or members of the organization who are an appointed member of the County Commission or who are City employees must be identified.

c. Compliance with Civil Rights Act and Americans with Disabilities Act:

Provide evidence of written policies prohibiting discrimination in employment and in the implementation and operation of the proposed programs or services. The applicant must certify that the applicant's programs, projects, services, and physical facility have been reviewed for accessibility to persons with disabilities.

6. Qualifications

The applicant must submit the following information outlining its affordable housing credentials:

- a. Experience in the development and management of affordable housing.
- b. A narrative description of the development plan for the proposed project.
- c. Identification of the management firm to manage the project post-construction.

7. Site and Planning Information

The applicant must submit information concerning the project site and identify all planning and zoning requirements and applicable permit

III. Financial Management

A. Budget Development Process

All applications for HOME funds shall include a budget proposal that summarizes all anticipated eligible expenses necessary to carry out the activity. In most cases, the applicant will prepare and submit this information, but the UCP may also assist the applicant in this process.

The budget development process shall:

1. Identify all funding commitments received from all donors and funding sources.
2. Identify an amount of HOME funds to be requested from the UCP.
3. Identify all activities and expenditures attributable to specific funding sources.

B. Budget Types and Cost Categories

Budgets shall be prepared in the following general format:

1. Development Projects

The cost categories associated with this budget type pertain to expenses identified with the financing, management, and construction of affordable housing projects:

- a. Site Acquisition - Normal cost associated with acquisition of raw land.
- b. Closing Costs - Fees, points, interest, or other costs to finance acquisition or construction.
- c. Architecture and Engineering - Normal fees and costs for professional design services to prepare plans and specifications.

- d. Site Work - Costs normally associated with preliminary site construction work: grading, underground utilities, soils report, environmental remediation
- e. Fees and Permits - Costs for design review, building, planning or other required permits.
- e. Construction Management - Consultant or other costs to provide construction management services.
- f. Construction Contracts - All fees included in primary and subcontracts.
- g. Consultants - All consultant fees including environmental testing or other specialty consultants.
- h. Administration - Overhead costs for administration by the applicant and other administrative costs.
- i. Interest - interest paid on construction loans.
- j. Legal - costs for legal services.
- k. Financing costs - Miscellaneous costs not included elsewhere but necessary to finance the construction costs.
- l. Taxes/Insurance - Property or other taxes required for the property during the construction period and costs of all required construction insurance.
- m. Marketing - Costs associated with marketing the project and attaining rent-up and occupancy.
- n. Operating Reserve - May be included for a specified period of time. Maximum operating reserve allowance to be determined in accordance with HUD regulations.
- o. Developer Fee - Any fees or other charges due to the developer.

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

<u>Max. Cumulative Milestone</u>	<u>Documentation</u>	<u>Developer's Fee %</u>
Acquisition Closing	Settlement Statement	25%
50% Construction Complete	50% Passed - Inspection Report	50%
100% Construction Complete	100% Passed – Inspection Report/ Certificate of Occupancy	75%
Home Buyer Loan Closing	Settlement Statement and Final Property Development Budget	100%

C. Budget Revisions

Modifications to approved budgets are allowable but must be directly related to changes in project services and activities.

Development Project budgets may be modified but contingent upon submission of a written request and subsequent approval by the UCP.

The Director of the Urban County Program shall have the authority to grant or deny requests for budget revisions. The UCP will issue a written decision within seven (7) business days of receiving the request.

D. Fiscal Records

Organizations receiving HOME funds must keep the following fiscal records:

1. Bookkeeping Journals and Ledgers

Cash receipts journal, cash disbursements journal, expense journal, general journal, and general ledgers must be maintained. Back-up documentation for the journal entries must be kept and properly filed. Documentation must include: invoices, bills and other receipts, deposit slips, bank statements, check stubs, check books, canceled checks, purchase orders, petty cash records and other verification as applicable.

E. Expenditures

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

1. Limitation of Expenditures

- a. The CHDO shall not expend funds provided under the contract prior to the commencement of the contract or subsequent to the suspension or termination of the contract.
- b. Expenditures shall be made in conformance with the approved budget and shall meet the criteria established for allowable costs.
- c. Expenditures shall be in direct support of the project which is the subject of the contract. The CHDO shall notify the UCP in writing of any expenditures for items jointly used for any other project(s) and the expenditures shall be apportioned according to the percentage of direct use in the project.

2. Eligible Costs

To be eligible for payment, costs must be in compliance with Office of Management and Budget Circular (OMB) A-87 and with the principles set forth below:

- a. Be necessary and reasonable for the proper and efficient performance of the contract and in accordance with the approved budget. The UCP shall have final authority to determine in good faith whether an expenditure is "necessary and reasonable."
- b. Conform to the limitations within this manual and to any governing statutes, regulations and ordinances.
- c. Be fully documented and determined in accordance with approved accounting procedures.

- d. Not be included as a cost or used to meet cost sharing or matching requirements of any other funding source in either the current or a prior period.
- e. Be the net amount of all applicable credits such as purchase documents, rebates, sales or other income or refunds.
- f. Document all costs by maintaining complete and accurate records of all financial transactions, including but not limited to: contracts, invoices, cash receipts, vouchers, canceled checks, bank statements and/or other official documentation evidencing in proper detail the nature and propriety of all charges.
- g. Submit to the UCP, within seven (7) working days of the end of the preceding month, requests for reimbursement together with a summary of expenses on a form approved by the UCP supporting documentation.
- h. Submit to HUD or UCP at such times and in such forms as HUD or, UCP may require, statements, records, reports, data, and information pertaining to matters covered by the agreement or contract.

3. Ineligible Costs:

- a. Bad debts: any losses arising from uncollectable accounts and other claims, and related costs.
- b. Contingencies: contributions to a contingency reserve or any similar provisions for unforeseen events.
- c. Contributions and donations.
- d. Entertainment: costs of amusements, social activities and incidental costs such as meals, beverages, lodging and gratuities relating to entertainment, or any political or lobbying activity.
- e. Fines and penalties: costs resulting from violations of or failure to comply with Federal, State, and local laws and regulations.

Interest and other financial costs: interest on borrowings (however represented), bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection therewith.

- f. Membership expenses: costs of membership in any organization which devotes a substantial part of its activities to influencing legislation.

Non-competitive subcontracts: payments under a subcontract not obtained under competitive bidding procedure, unless the requirement for such a procedure is specifically waived by the UCP.

F. Reimbursement

1. Development Projects

Requests for reimbursement for eligible expenses shall be submitted on a monthly basis but may be submitted more frequently than on a monthly basis if pre-arranged with the UCP. Reimbursement requests received by the 7th working day of the month will, in most cases, be paid no later than the end of the month. Generally, these requests will be granted on a performance oriented basis.

2. UCP staff will review each request for reimbursement submitted by CHDO. Questionable or ineligible expenses will be identified and the CHDO will be requested to submit clarifications, corrections, or additional information.

G. Inspections

1. Frequency of Inspections

Inspections will be performed, by a UCP Rehabilitation Specialist, when receipt of the requests for reimbursement is for a housing unit that is 50% or 100% constructed.

2. Penalty for Multiple Inspections

CHDO shall ensure that when requesting a 50% or 100% reimbursement, which will require an on-site inspection, that in fact the housing unit is 50% or 100% completed. When an on-site inspection is necessary and the Rehabilitation Specialist concludes that the house (reported on the inspection report) is not 50% or 100%, then the Specialist will notify the Division Director and the Coordinator to notify CHDO of discrepancies.

When the reimbursement is submitted again for 50% or 100% and the Specialist identifies that the same housing unit is not at 50% and 100% then the CHDO will be assessed a \$50.00 trip charge for the additional trip and for not addressing the discrepancies.

H. CHDO Proceeds

The HOME Final Rule, 24 CFR 92.300(a)(2), allows UCP the option of permitting CHDOs to retain any “proceeds” resulting from the CHDO's investment of its CHDO set-aside funds or requiring the CHDO to return these proceeds to the participating jurisdiction – which will be categorized as program income. CHDO Proceeds include, but are not limited to, the permanent financing of a CHDO project which is used to pay off a CHDO financed construction loan; the sale of CHDO developed homeownership housing; the principal and interest payments from a loan to a buyer of CHDO developed homeownership housing. The UCP has opted to allow the CHDO to retain all CHDO proceeds in order that these funds be re-invested by CHDO and applied towards housing activities for low and moderate income individuals and families. These activities include, but not limited to, acquisition, construction, rehabilitation of home ownership projects, emergency repairs, project operating costs and reserves, housing refinancing costs, and homebuyer

counseling. In addition, CHDO proceeds do not reduce the size of the organization's UCP grant if the proceeds are spent on eligible activities.

Proceeds will be calculated on a per unit basis and submitted to the UCP at the loan closing for the sale of each unit. In addition, an annual CHDO proceeds report will be submitted.

IV. ADMINISTRATIVE PROVISIONS

A. Written Agreement with the Urban County Program

A written agreement must be entered into between the CHDO and UCP (and all entities receiving UCP funds). The written agreement forms the basis for the contractual obligation between the parties to fund and implement the activity, program, or project. The agreement will denote responsibilities attributable to each party, and shall outline in exact measure the scope of services to be provided, methods of accountability, and a schedule for payment. Execution of the agreement binds the CHDO for a specified period of time, and is amendable only upon written authorization from the UCP.

B. Post-Award Responsibilities

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

1. Immediately report all changes in its articles of incorporation or certificate of formation, bylaws, or tax-exempt status to the UCP.
2. Maintain no member of the Board of Directors as a paid employee, agent or subcontractor.
3. Include on the Board of Directors representation from the broadest possible cross-section of the community, including those with expertise and interest in the provided services, representatives from community organizations interested in the services, and users of the services.
4. Open to the public all meetings of the Board of Directors, except meetings, or portions thereof, dealing with personnel or litigation matters.
5. Keep minutes of all regular and special meetings of the Board of Directors and, upon request, forward copies to UCP.

C. Federal Requirements

CHDOs must comply with all applicable federal regulations governing the use of UCP funds. These regulations include but may not be limited to those identified as follows:

1. Fair Housing. CHDO must affirmatively further fair housing activities and pay particular attention to any sign of discrimination as it may pertain to the sale of properties funded under the HOME Program in compliance with 24 CFR Part 92.202, 92.250, Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.), Fair

Housing Act (42 U.S.C. 3601-3620)(implemented at 24 CFR Part 100), Executive Order 11063 (amended Executive Order 12259), Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) and 24 CFR 5.105(a).

2. Affirmative Marketing Affirmative Marketing. CHDO shall adopt and submit for UCP's approval affirmative marketing procedures and requirements, no later than 30 days after the date of any CHDO agreement executed under the HOME Program. The affirmative marketing procedures and requirements shall include, but need not be limited to, those specified in 24 CFR 92.351. CHDO shall maintain a listing of all homebuyers residing in each unit through the end of the compliance period. Compliance period is as stated in 24 CFR 92.508(4) and (7)(c)(2), "records must be retained for a five years after the project completion date, except for documents imposing recapture restrictions which must be retained for five years after the affordability period terminates."
3. Accessibility for Persons with Disabilities. The Uniform Federal Accessibility Standards set forth in 24 CFR, Part 40, Appendix A. Section 504 of the Rehabilitation Act of 1973 (prohibits discrimination based on physical handicap) (Pub.L. 93-112), as amended, and implementing regulations when published for effect.
4. Equal Employment Opportunity. Executive Order 11246, which provides that there shall be no discrimination in employment under federally assisted construction. In providing the work and services herein specified, CHDO shall not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. CHDO shall take affirmative action to ensure that applicants for employment are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. CHDO shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Federal Government or the UCP setting forth the provisions of this nondiscrimination clause. CHDO shall state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin. CHDO shall incorporate the foregoing requirements of this Paragraph 4 in all of its contracts for program work, and will require all of its subcontractors for such work to incorporate such requirements in all subcontracts for program work.
5. Section 3 of the Housing and Urban Development Act of 1968, which provides for training, employment, and contracting Opportunities for business and lower income persons' assurance of compliance.
 - a. The work to be performed on a project assisted under the HOME Program is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires that to the greatest extent feasible, opportunities for training and employment be given low-income residents of the project area and contracts for work in connection with the project be awarded to business

concerns which are located in, or owned in substantial part by persons residing in, the area of the project.

- b. The parties to any CHDO agreement executed under the HOME Program will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR Part 135, and all applicable rules and orders of the Department of Housing and Community Development issued prior to the execution of a contract. The parties to any CHDO agreement executed under the HOME Program must certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
 - c. CHDO will send to each labor organization or representative of workers with which it has a collective bargaining contract or other contract or understanding, if any, a notice advertising to the said labor organization or worker's representative of its commitments under this Section 3 clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.
 - d. CHDO will include these Section 3 clauses in every contract and subcontract for work in connection with the project and will take appropriate action pursuant to the contract upon a finding that any CHDO or subcontractor is in violation of regulation issued by the Secretary of Housing and Urban Development, 24 CFR Part 135.
 - e. Compliance with the provisions of Section 3, the regulations set forth in 24 CFR Part 135, and all applicable rules and orders of the Department issued prior to the execution of the Construction Contract shall be a condition of the federal financial assistance provided to the project, binding upon CHDO, its successors, and assigns. Failure to fulfill these requirements shall subject CHDO, its contractors and subcontractors, its successors, and assigns to those sanctions specified by the grant or contract through which federal assistance is provided, and to such sanctions as are specified by 24 CFR Part 135 which provides that, to the greatest extent feasible, opportunities for training and employment shall be given to lower-income residents of HUD-assisted project areas, and that contracts for work in connection with such projects be awarded to business concerns which are located in, or are owned in substantial part by, persons residing in the area of the Program.
6. **Minority/Women Employment.** CHDO shall collect data indicating the racial/ethnic character of each business entity receiving a contract or subcontract of \$25,000 or more paid, or to be paid, with HOME or other Federal funds. This data should indicate which of those entities are women's business enterprises as defined in Executive Order 12138, the amount of the contract or subcontract, and documentation of recipient's affirmative steps to assure that minority business and women's business enterprises have an equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction and services. Such affirmative steps may include, but are not limited to, technical assistance open to all businesses but designed to enhance opportunities for these enterprises and special out-reach efforts to inform them

of contract opportunities. Such steps shall not include preferring any business in the award of any contract or subcontract solely or in part on the basis of race or gender.

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

7. Davis Bacon and Related Acts. CHDO shall ensure that any contract for construction of housing that includes 12 or more dwelling units will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor in accordance with the Davis-Bacon Act (40 U.S.C. §276A-5) to all laborers and mechanics employed in the development of any part of the housing and contracts involving their employment shall be subject to the applicable provisions of the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333). Construction contractors and subcontractors, must comply with regulations issued under these Acts and with other federal laws and regulations pertaining to labor standards and HUD Handbook 1344.1 (Federal Labor Standards Compliance in Housing and Community Development Programs), as applicable.
8. Conflict of Interest. No officer, employee, or agent of CHDO who exercises any functions or responsibilities with respect to the HOME Program or to the services and work to be performed by CHDO, during such officer's, employee's, or agent's tenure or for one (1) year thereafter, shall have any personal or financial interest or benefit, direct or indirect, in any CHDO agreement executed under the HOME Program or the proceeds thereof. CHDO shall incorporate or cause to be incorporated in every contract required to be in writing a provision prohibiting such interest pursuant to the purposes of this Section II.M.8. Exceptions to the provision are allowed however must meet the requirements of 24 CFR Part 92.356(d).
9. Debarred Contractors. In accordance with the provisions of 24 CFR, Part 24, relating to the employment, engagement of services and awarding of contracts, CHDO shall not employ, award contract to, or fund any person that has been debarred, suspended, proposed for debarment, or placed on ineligibility status by the U.S. Department of Housing and Urban Development. In addition, UCP shall have the right to suspend or terminate this agreement if CHDO is debarred, suspended, proposed for debarment, or ineligible from participating in the HOME Program.
10. Environmental Requirements. Notwithstanding any provisions of any CHDO agreement executed under the HOME Program, the parties hereto agree and acknowledge that an agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the Participating Jurisdiction of a release of funds from the U.S. Department of Housing and Urban Development under 24CFR Part 58. The parties further agree that the provision of any funds to the project is conditioned on the Participating

Jurisdiction's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review.

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

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

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

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

14. Lead-Based Paint Hazards. Assistance provided is subject to the HUD Lead-Based Paint regulations at 24 CFR Part 35, hereby incorporated and made a part of this Agreement by reference. Any funding commitments made by UCP or CHDO shall

be made subject to the provisions for the elimination of lead-based paint hazards under subpart B of said regulations.

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

D. Insurance

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

E. Homebuyer Assistance and Recapture Policy

The UCP has adopted a Recapture Policy that serves to address the continued affordability of housing units acquired with HOME funds. Recaptured funds are HOME funds which are recouped by the UCP or the CHDO when HOME assisted homeownership housing does not continue to be the principal residence of the assisted homebuyer for the full affordability period required by 24 CFR 92.254(a)(4). When HOME funds are used to assist a household in the purchase of a unit, restrictions will be placed on the unit to ensure compliance with the recapture requirements described in 24 CFR 92.254(a)(5)(ii). This section sets forth the method that will be used by the UCP and its CHDO's to enforce these requirements. In the event there is a transfer of title, voluntary or involuntary, within the affordability period, the UCP has selected the "Owner Investment Returned First" recapture option (as defined under 24 CFR 92.254(a)(5)(ii)(A)(4)) to calculate the recapture amount.

Affordability Period. The affordability period will be determined by the amount buyer assistance as follow:

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

During the period of affordability the owner is required to occupy the property as their principal residence. A lien will be recorded in the amount of the buyer assistance for the affordability period to ensure full compliance with all HOME requirements.

Buyer Education. Any client(s) qualified to purchase a unit that will be developed utilizing HOME program funds must attend an eight (8) hour Home Buyer Education class. The completion certificate must be submitted to the UCP. Prior to and at loan closing, the CHDO must clearly explain the recapture policy including net proceeds due on sale or transfer of property, the principal residency requirement and the affordability period to the homebuyer. This explanation, with respect to recapture and distribution of net proceeds, allows the homebuyer to understand the extent to which the homebuyer's funds are at risk, and the opportunities being provided for return on the homebuyer's investment. After the explanation is provided to the homebuyer, the homebuyer will sign

an affidavit as evidence of the homebuyer's understanding of and commitment to these obligations.

Legal Documents. Home ownership projects undertaken by a CHDO will be secured by means of a Homebuyer Contract, Second Lien Deed of Trust and a Real Estate Lien Note executed by the low-income homebuyer being assisted and recorded against the property. These documents will address key recapture provisions such as affordability period, principal residency and transfer of title to property in the case of sale, foreclosure or any other event and will reflect the homebuyer's obligation under the deed and note to repay the HOME debt upon resale. The UCP will provide the CHDO with the form of the contract and lien documents listed above.

The CHDO will provide the executed Real Estate Note and the executed and recorded Deed of Trust to the UCP upon recording.

The UCP may also take a lien on real property purchased by the CHDO for home ownership projects and/or liens on individual homebuyer's property to secure the UCP's investment during the Affordability Period, which lien will be released following the end of the Affordability Period.

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

Homebuyer Subsidy (or Buyer Assistance Amount). The CHDO will calculate the amount of the buyer assistance amount that will be recorded in the Note below. The amount of the Note shall include:

- All HOME funds used by the CHDO to cover the difference between the fair market value of the property and the amount of funds the homebuyer provides toward the purchase (homebuyer downpayment and homebuyer first deed).
- All additional HOME funds, if any, provided directly to the homebuyer at time of closing to assist with purchase.

Resale During the Term of the Note and Deed. The homebuyer may sell the property to any willing buyer at the market price. However, the CHDO will have a "right of first refusal" in which the unit may be purchased first before any voluntary or involuntary sale. Any subsequent resale by the CHDO must be to another eligible homebuyer pursuant to this policy.

Any net proceeds recovered after the voluntary or involuntary sale of the property must be distributed in accordance with the terms described herein.

- 1) Net proceeds will be calculated as the sales price minus superior non-HOME loan repayments and any owner-paid closing costs.
- 2) From net proceeds, the owner (seller) will be allowed first to recover their investment, which includes:
 - a) The owner's original down payment (not including any down payment assistance); plus
 - b) The principal that the owner has amortized on senior debt.

- 3) Then, to the extent net proceeds are available, the full amount of the homebuyer assistance amount, as recorded in the note, will be repaid. However, in cases where there are no net proceeds or the net proceeds are insufficient to repay the HOME funds as described above, the homeowner is not liable for payment of the HOME note beyond the amount of net proceeds that remain.
- 4) Finally, if any proceeds remain available after full satisfaction of the buyer assistance amount, these funds may be retained by the owner.

The affordability period will terminate upon transfer of title and payment of any amount due.

Enforcement. Compliance will be enforced by the CHDO by conducting principal residency verifications on HOME assisted units throughout the duration of the affordability period. The CHDO will use the HOME-Assisted Unit Tracking Report that will be provided to the CHDO by the UCP to be utilized as a tracking mechanism for principal residency.

Failure to Occupy as Principal Residence. Under the Recapture provision, if the HOME assisted unit ceases to be the principal residence of the home owner, the UCP and the CHDO must ensure that the full Buyer Assistance Amount is recovered and repaid to the UCP in accordance with applicable regulations. The UCP will determine the amount to be repaid. If the HOME loan was deferred and forgivable, the entire Buyer Assistance Amount reflected in the HOME Note shall be repaid by the homeowner. If the HOME loan is amortizing, the home owner will be liable to return the original HOME buyer subsidy minus any HOME principal payments paid to date. Any funds collected under this clause by or on behalf of the CHDO must be returned to the UCP. The UCP will then deposit the funds into the HOME Investment Trust Fund local account.

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

Refinancing and Resubordination. Owners may not refinance the loans without obtaining the prior written consent of the UCP, which may withhold such consent in order to preserve affordability or otherwise. In order for a refinance and resubordination to be approved, the UCP will review the terms of the new loan to ensure that the following applies:

1. New loan amount must not exceed the current principal amount due (closing costs may be included in the financing amount provided that the monthly payment is still reduced)
2. Interest rate must fixed and lower than current loan rate
3. Monthly payment must be lower that the current loan payment (including PITI)

The UCP will review any request for a Refinance or Home Equity loan during the affordability period. The UCP may accept the following circumstances as a valid reason for this request:

1. Home improvement repairs
2. Education
3. Temporary Emergencies, i.e. medical expenses, loss of employment, funerals etc.

Other unforeseen expenses will be reviewed on a case by case basis.

F. Project Documentation and Reporting

CHDO shall submit to UCP such reports on the operation and performance as may be required by UCP including but not limited to the reports specified in this Section F. In addition, CHDO shall provide UCP with all reports necessary for compliance with 24 CFR 92.509 and 24 CFR Part 92, Subpart L and those reports listed in the Section VIII. If CHDO fails to submit to UCP in a timely and satisfactory manner any report required by this policy or the CHDO Agreement, the UCP may withhold any or all payments otherwise due or requested by CHDO. If UCP withholds such payments, it shall notify CHDO in writing of its decision. Payments withheld may be held by UCP until such time as the delinquent obligations for which funds are withheld are fulfilled by CHDO.

Preliminary Documentation

Before the CHDO is able to begin construction of a unit, a Preliminary Project Summary must be submitted to the UCP for project level approval. These documents will include:

1. The Estimated Project Development Budget includes all anticipated costs and funding sources for the development of the project.
2. Along with the Estimated Project Development Budget, the CHDO shall submit all documentation utilized to determine home buyer eligibility as follows:
 - CHDO Board Approval of Home Buyer
 - Conflict of Interest Affidavit
 - Part 5 Income Calculation Sheet
 - Current Check Stubs (last three consecutive months) OR Verification of Employment
 - Self Employment Earnings Documentation (if applicable)
 - Unemployment Letter (if applicable)
 - Child Support Benefits Letter (if applicable)
 - Social Security and/or Disability Benefits Award Letter (if applicable)
 - Copy of Bank Statements – (Checking Account, last six consecutive months or Savings account, most recent month) OR Verification of Assets on Deposit (if applicable)
 - Recorded Divorce Decree (if applicable)
 - Identification Card (DL/SSN/BC)
 - Purchase Order Request Letter
 - Commitment Letter to Home Buyer
 - Copy of Loan Application
 - Good Faith Estimate
 - Underwriting Worksheet
 - Builder's Contract/Plans & Specs

Project Development

On a quarterly basis, the UCP will track the development of each individual project by assessing requests for reimbursements, processing of developer's fees payments and inspections.

Final Documentation

Once construction of the unit is complete, the CHDO shall provide the UCP with the Final Project Summary, which will include the following:

1.The Final Project Development Budget includes actual costs and funding sources for the completion of the project. This worksheet will identify the total direct and development subsidies which will allow for the calculation of the project's affordability period.

2.The CHDO Proceeds Calculation form

3.Beneficiary Information

4. Home Buyer Closing Documents. Once the sale of the unit has occurred, CHDO shall submit final closing documents to include the following information:

- Homebuyer Contract
- Final Appraisal Report
- Copy of Recorded 1st and 2nd Lien Deeds of Trust
- Copy of 1st and 2nd Lien Real Estate Note
- Copy of Settlement Statement
- Copy of Truth-in-Lending Disclosure
- Final 100% Inspection Report OR Certificate of Occupancy
- Copy of Home Owner's Insurance

Annual Reports

1. Assisted Unit Tracking Report. CHDO shall submit the Assisted Unit Tracking Report to the UCP no later than fifteen (15) calendar days past the UCP fiscal year ending date (June 30th). This report is comprised of two sections listing all UCP funded units that are within their specified affordability period and have generated or are currently generating CHDO proceeds.
 - a. Affordability and Principle Residency. This section of the report will provide detailed information regarding unit occupancy for the purpose of tracking affordability and principle residency compliance.
 - b. CHDO Proceeds. This section of the report will include unit proceeds origination, amount and utilization type (rehab., acquisition, construction, etc.).

V. Procurement and Contracting - Procedures and Requirements

A. Procurement

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

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

Note – Efforts should be made by CHDOs to utilize small businesses, minority-owned, and women's businesses, whenever possible. **Additionally, review of procurement process shall be reviewed by UCP prior to CHDO awarding bid.**

B. Subcontracts

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

1. Review of Subcontracts by UCP

All CHDOs in their first year of receiving HUD funds from UCP must submit all subcontracts valued at more than \$100 to the UCP for review and approval prior to execution.

In a CHDO's second year of UCP funding, prior review and approval by the UCP is required only when the value of the subcontract exceeds 10% of its UCP grant or \$10,000, whichever is less.

All subcontracts requiring review and approval by the UCP must be submitted at least 10 business days prior to an effective date. The UCP HOME Coordinator will respond to the request for approval within 7 working days. Subcontracts must be approved prior to execution by any of the parties.

2. Provisions Required in Subcontracts

- a. Name, address, phone number and social security number of subcontractor.
- b. A termination clause requiring twenty days notice by which either party may terminate the agreement.
- c. A UCP uninvolved clause releasing the County from any liability for any breach of the subcontract by either party.

- d. A scope of services.
- e. The total dollar amount of the subcontract.
- f. A termination date no later than the end of the current UCP program year.
- g. A clause requiring contractor to comply with stated "Conditions of Federal Funding".
- h. An independent contractor clause stating that the subcontractor is an independent contractor or employee of the CHDO. Subcontractor is not an agent or employee of the County, and as such waives any claims to any rights or benefits which accrue to employees of the County.
- i. Signature of person authorized by CHDO's Board of Directors to execute agreements.
- j. Signature of person authorized by subcontractor to execute agreements.

3. Required Subcontract Documentation

The CHDO shall maintain the following documentation in its files:

- a. Summary of bids and proposals received.
- b. Justification for any non-competitive procurement of contract services and reasons for the selection of the subcontractor.
- c. Justification for the selection of other than the lowest bidder in a competitive procurement.
- d. Section 3 compliance documentation.

4. Types of Subcontracts Covered Under This Section

- a. Bookkeepers and auditors.
- b. Contractual personnel services (those not on the CHDO's payroll.)
- c. Office equipment rental.
- d. Office space rental.

5. Types of Subcontracts Not Covered Under This Section

- a. Extension of above contracts if dollars per hour/month/year do not change.
- b. Vehicle rental to take project's clients to a particular event. (Requests for travel related to trips outside of the County of Hidalgo are required under the agreement with the County)
- c. Maintenance agreements for office equipment
- d. Janitorial services for office space.

VI. Buyer Eligibility and Underwriting

A. HUD Income Limits

The applicant's annual income must not exceed 80% of the HUD determined area median income, adjusted by family size at the time of application. CHDO shall review view the most current HUD income limits found at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/> to determine eligibility.

B. Underwriting Requirements

1. Housing debt will be evaluated through a review of the household's front end and back end ratios. The front end cannot exceed 35%; the back end cannot exceed 45%. This calculation will be completed in order to determine the homebuyers long term affordability through the review of estimated housing costs, revolving debt, including personal loans, credit/charge cards and any secured/unsecured loans, as well as other monthly obligations. Applicants are required to submit to a credit history review.
2. Mortgage rates shall not be 4 points over the conforming Fannie Mae par rate
3. No more than one (1) point on origination fees will be allowed
4. Loans must be a fixed rate
5. No balloon payments will be allowed
6. Total loan to value ratio, including the homebuyer assistance lien, shall not exceed a 100% without UCP approval
7. No interest buy-downs will be allowed
8. An appropriate amount of assistance needs to be measured via a subsidy layering analysis which calculates the difference between the sales price and the household's maximum loan amount inclusive of all funding sources. Direct HOME assistance shall not exceed the amount calculated by the subsidy layering.
9. For the purposes of determining household income, assets will be calculated from the contributions of all adult household members and youth, as outlined within the HUD publication Technical Guide for Determining Income and Allowances for the HOME Program (Third Edition), until such time as a revision is provided. The UCP will continue to use the Section 8/Part 5 methodology.

VII. FY2012 HOME Appropriation Requirements

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

A. Four-Year Project Completion

Requirement:

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

Implementation:

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

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

Requirement:

Before entering into a legally binding homebuyer written agreement, the UCP must:

- 1. Underwrite the project or evaluate the underwriting of another funder;*
- 2. Assess the development capacity and fiscal soundness of the developer; and*
- 3. Examine neighborhood market conditions to ensure adequate need for each project.*

Implementation:

- 1. Underwriting – The UCP has developed and implemented written policies and procedures for underwriting projects. The current underwriting policies utilized to ensure project viability with regards to the affordability capacity of the buyer, are noted within Section VI. Buyer Eligibility and Underwriting, of this policy manual.*
- 2. Developer Capacity/Fiscal Capacity – Project underwriting practices regarding developer capacity are reviewed at the time proposals are submitted during the annual Request for Proposals process as explained below (see “D. CHDO Development Capacity”). Additionally, the UCP requires that each developer submit a pro-forma cash flow statement for the project, along with the most*

recent annual financial audit, in order to analyze the fiscal soundness of both the developer and the project.

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

C. Conversion of Homebuyer Units to Rental Units

Requirement:

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

Implementation:

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

D. CHDO Development Capacity

Requirement:

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

Implementation:

The UCP will continue to utilize its annual Request For Proposals (RFP) process to review and evaluate CHDOs staff experience and organizational capacity before awarding a contract. The CHDO RFP process captures the relative information and documentation in order to determine CHDOs staff expertise as well as past experience in the development of projects as it pertains to the particular project's scope and level of complexity. Also, the

UCP will utilize a “CHDO Staff Experience & Organizational Capacity Checklist” to document its efforts of this requirement.

VIII. Monitoring and Documentation

A. Monitoring

1. County Purpose

UCP staff will conduct an on-going monitoring process in order to review the programmatic and financial aspects of the CHDO’s activities. UCP staff will review monthly activity reports submitted by the CHDO for compliance with federal regulations regarding the use of federal funds and the implementation of the program or project.

The monitoring process is oriented towards resolving problems, offering technical assistance, and promoting timely implementation of projects. To this end UCP staff may require corrective actions of the CHDO. Following are examples of significant problems which will trigger corrective action by the CHDO:

- a. Services are not documented.
- b. Procurement Issues.
- c. Goals are not being met.
- d. Project files not in order.
- e. Complaints by clients.
- f. Required reports not being submitted in a timely manner.

2. Programmatic Monitoring

- a. When requested by UCP, CHDOs will submit a programmatic report detailing the implementation and administration of the activity, program, or project. The programmatic report shall include the following:
 - i. Progress in meeting stated goals and objectives.
 - ii. Changes in staff or Board of Directors.
 - iii. Problems encountered and steps taken to resolve them.
 - iv. Other general information as appropriate.

3. Monthly Financial Monitoring

- a. When requested by UCP, CHDOs will submit a financial report concerning the financial and accounting status of the project. The financial report shall include the following:
 - i. Summary of all disbursements of UCP funds.
 - ii. Summary of all requests for reimbursement of UCP funds.
 - iii. Report on percentage of UCP funds expended and remaining by cost category.

4. On-Site Visits

Based on monitoring results, UCP staff may hold discussions with CHDOs whose performance does not appear to be sufficient to meet the goals and achievements as outlined in the agreement. An on-site visit may occur to discuss the service activity shortfall.

On-site monitoring visits may also be conducted in order to ascertain that that eligible clients for which the program or project was intended are being served and that in the event of an audit, the required client information is being maintained.

B. Client Documentation by CHDO

Each CHDO is required to maintain documentation on clients benefiting from activities, programs, or projects funded through the County's UCP program. As a condition of receiving the HUD grant, the UCP, and in turn the CHDO, must certify that low- and moderate-income persons are being served. HUD also requires information on the race and ethnic background of the clients, how many are female heads of households, their residency and how many are very-low income. UCP staff and HUD must also have access to the names of the clients. Any information regarding applicants for services funded through federal monies shall be held in strict confidence.

EXHIBIT "A"

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

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

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

1. Legal Status

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

- A Charter.
- Articles of Incorporation.

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

- A Charter.
- Articles of Incorporation.

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

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

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

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

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

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

(reference pertinent section of document checked above)

2. Capacity

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

3. Organizational Structure

Use the following definitions in responding to this section:

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

Community - one or more neighborhoods, town, village, city, county, or multi-county area.

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

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

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

Appropriate citation in by-laws or articles of incorporation

(reference pertinent document and section)

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

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

(reference pertinent document and section)

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

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

(reference pertinent document and section)

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

4. Relationship with For-Profit Entities

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

By-laws or articles of incorporation.

(reference pertinent document and section)

Memorandum of Understanding between CHDO and for-profit entity.

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

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

(reference pertinent document and section)

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

By-laws;

Charter;

Articles of Incorporation

(reference pertinent document and section)

CHDO: _____
Statement on Certification of Community Representatives

Today's Date: ____/____/____

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

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

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

Signature: _____

Print Name: _____

Address: _____

City, Tx, Zip: _____

Phone: _____

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

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

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

EXHIBIT "B"

INSURANCE REQUIREMENTS

INSURANCE REQUIREMENTS

1. **CHDO Insurance.** CHDO, at its sole cost and expense, for the full term of this Agreement (and any extensions thereof), shall obtain and maintain at minimum compliance with all of the following insurance coverage(s) and requirements. Such insurance coverage shall be primary coverage as respects UCP and any insurance or self-insurance maintained by UCP shall be excess of CHDO's insurance coverage and shall not contribute to it.

2. **Subcontractor(s)' Insurance.** If CHDO utilizes one or more subcontractors in the performance of this Agreement, CHDO shall obtain and maintain independent insurance as to each subcontractor or otherwise provide evidence of insurance coverage for each subcontractor equivalent to that required of CHDO in this Agreement, unless CHDO and UCP both initial here _____/ _____ .

3. **Types of Insurance and Minimum Limits.** The following types of insurance and minimum limits are required for at least the following minimum coverage and limits of liability.
 - a. Worker's Compensation written in accordance with the laws of the State of Texas and providing coverage for any and all employees of CHDO in the minimum statutorily required coverage amounts.

 - b. Automobile Liability Insurance for each of CHDO's vehicles used in the performance of this Agreement, including owned, non-owned (e.g. owned by CHDO's employees or contractors), leased or hired vehicles, in the minimum amount of \$300,000 combined single limit per occurrence for bodily injury and property damage. This insurance coverage shall not be required if vehicle used by CHDO is not a material part of performance of this Agreement and CHDO and UCP both certify to this fact.

 - c. Comprehensive or Commercial General Liability Insurance coverage in the minimum amount of \$300,000 combined single limit, including coverage for:
 - (1) bodily injury.
 - (2) personal injury.
 - (3) broad form property damage.
 - (4) contractual liability.
 - (5) cross-liability.

4. **Other Insurance Provisions.**
 - a. If any insurance coverage required in this Agreement is provided on a "Claims Made" rather than "Occurrence" form, CHDO agrees to maintain the required coverage for duration of this Agreement (hereinafter "post agreement coverage") and any extensions thereof. CHDO may maintain the required post agreement coverage by renewal or purchase of prior acts or tail coverage. This provision is contingent upon post agreement coverage being both available and reasonably affordable in relation to the coverage provided during the term of this Agreement. For purposes of interpreting this requirement, a cost not exceeding 100% of the last annual policy premium during the term of this Agreement in order to purchase prior acts or tail coverage for post agreement coverage shall be deemed to be reasonable.

5. Endorsements.

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

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

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

6. Proof of Coverage.

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

HOME Coordinator
County of Hidalgo
Urban County Program
427 E. Duranta, Ste. 107
Alamo, TX 78516

END INSURANCE REQUIREMENTS