

Flagler County
Neighborhood Stabilization Program
HOUSING ASSISTANCE PLAN

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DRAFT

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1 TYPES OF ASSISTANCE

1.1 Purpose

The Housing and Economic Recovery Act signed into law on July 30, 2008 provided Neighborhood Stabilization funds to assist local governments to acquire land and property for demolition, rehabilitation, and sale of foreclosed and abandoned properties or land bank in areas of greatest need to address neighborhood decline. The policies and procedures outlined in this document will be carried out in compliance with the Federal Register volume 23, notice 194 dated October 6, 2008 by:

- Addressing neighborhoods with the greatest need based on U.S. Department of Housing and Urban Development (HUD) data
- Purchase and rehabilitate properties for resale to income eligible households
- Purchase and rehabilitate properties for lease to income eligible households
- Provide down payment assistance to income eligible households

The purpose of Neighborhood Stabilization Program (NSP) funds is to establish strategies and select activities based on the principal goal of stabilizing neighborhoods. To augment neighborhood stabilization, and to the maximum extent possible, ongoing community enhancement projects will be used to further this goal.

NSP assistance is a special allocation of Community Development Block Grant (CDBG) funds that will be administered following federal CDBG regulations, as modified by authorizing federal legislation. In addition to federal regulations, Florida Statutes, this Program Guide and Florida Administrative Emergency Rule 9BER09-1 (Appendix D) shall guide and direct administration of NSP assistance.

Flagler County has applied for Neighborhood Stabilization Program funds to improve the condition of area neighborhoods which are in jeopardy of decline due to the rising number of foreclosures. The program is designed to address foreclosed properties within the County's Area of Greatest Need as noted in the Application. This Housing Assistance Plan shall serve as the framework for selecting beneficiaries and housing units for housing assistance under all strategies and eligible activities within the County's Neighborhood Stabilization Program. The County can plan to undertake any of the following activities:

- 24 CFR 570.201 (a) Acquisition
- 24 CFR 570.201 (b) Disposition
- 24 CFR 570.201 (e) Public Services for Housing Counseling
- 24 CFR 570.201 (n) Homeownership Assistance
- 24 CFR 570.202 (a) Rehabilitation
- 24 CFR 570.206 General Administration

1.2 Areas of Greatest Need

Due to the fairly even dispersal of foreclosed homes in the Flagler County, the target area was identified as the area(s) most likely to suffer additional foreclosures. Therefore, the County defined the areas of greatest need (the target areas) based on data developed for the Neighborhood Stabilization Program pursuant to the Housing and Economic Recovery Act (HERA) of 2008. The city used the following criteria as created by HUD for the HERA to identify the target areas:

- Greatest percentage of foreclosed homes,
- Highest percentage of homes financed by sub-prime mortgage related loans,
- Greatest risk for rising rate of home foreclosures / risk of abandonment, and
- Areas where more than fifty-one percent (51%) of the people in the area had incomes in 2000 less than one hundred twenty percent (120%) of Area Median Income (AMI).

NSP target areas must be of appropriate size to make an impact, considering the amount of allocation and average sales price of foreclosed properties. Maps can be created using the HUD NSP mapping tool, located at www.huduser.org/NSP/NSP3.html. A copy of the final area chosen must be included with the application.

1.3 Conflict of Interest

All contractors, board members, County staff, sub-recipients, and program beneficiaries must disclose all potential conflicts of interest in writing to the County staff. All conflicts of interest notices received by staff will be presented to the Citizens Advisory Task Force and the County BOCC (Board of County Commissioners) and will be acknowledged in the meeting minutes. All conflicts will be made public and identified prior to the award of any contracts or benefits under the NSP program. Any staff member, board member, commission member that has a potential conflict of interest will abstain from voting on that item after making their conflict of interest public.

Pursuant to 24 CFR Section 570.489 and Chapter 112.11-112.3143, Florida Statutes, conflicts of interest will be addressed through the following process:

- a. Identify potential conflicts of interest (contractors as well as beneficiaries);
- b. Acknowledge by name in the minutes of the Citizens Advisory Task Force and commission/council meetings so that previously unknown conflicts may be surfaced;
- c. Making those conflicts publicly known along with the final rankings based on the criteria outlined in the local government's housing assistance plan;
- d. Dealing with those conflicts on a local level; and
- e. Requesting waivers of those conflicts when appropriate.

1.4 Contract for Services

The County may contract with non-profit or for-profit businesses or consultants for required NSP related professional services. A formal agreement including all requirements, scope of services, payment information, and reporting mechanisms will be executed prior to the disbursement of funds.

1.5 Rental Assistance

Rental properties that are acquired by the County with NSP funds will be transferred to a non-profit or for-profit sub-recipient. Deed restrictions will be placed on the property to ensure long term affordability. The County staff or a contracted developer/consultant will monitor the project on a yearly basis during the term of affordability to ensure that the project remains affordable and meets local standards and codes. The County will enter into an agreement with a non-profit or for-profit entity that will authorize the organization to directly purchase rental property in the area of greatest need. Prior to acquisition of any property, the organization will notify the County of the site selection so that the property can be inspected to ensure that it meets the goals and requirements of the program. The non-profit or for-profit agency will ensure that the acquisition process, price negotiations, environmental requirements, rehabilitation requirements, conflict of interest, and federal laws and regulations are in compliance with program rules. The County will have the opportunity to review files and provide oversight during the acquisition, rehabilitation, and rental of units.

The County will enter in to a formal written agreement with the sub-recipient which will outline the scope of work, budget, and procedures for reimbursement, allowable cost, reporting and management requirements in addition to any federal, state or local requirements that apply. The selected sub-recipient shall comply with and document any Florida Department of Community Affairs (FDCA) or HUD NSP criteria or standards required in order to participate in the very low income set aside program at the time of developer agreement. The County shall monitor sub-recipients throughout the duration and upon close out of the NSP Program, to ensure compliance with HUD guidelines.

1.6 Incentive-Based Set-Aside

The State of Florida has created an Incentive-Based Set-Aside to promote the utilization of NSP dollars expeditiously. These funds are collected through the recapture of unobligated funds from the program. The County intends to use any funding from this set-aside for homeownership, and/or rental program for low, moderate, and middle-income households, except where FDCA or HUD may require otherwise at the time of funding availability

1.7 Advertising

The County shall advertise the Notice of Funding Availability in a newspaper of general circulation, the Daytona Beach News Journal at least thirty (30) days before the beginning and end of the application period. In addition to advertising in the newspaper, the Notice of Funding Availability (NOFA) will be placed on the official County web site at: <http://www.flaglercounty.org/index.aspx?NID=148>.

1.8 Application Process

Interested home buyers, and/or renters may obtain an application at the County offices located at the Financial Services Office, 1769 E. Moody Blvd, Building 2, Bunnell, FL 32110 or on the County website at <http://www.flaglercounty.org/index.aspx?NID=148>. In addition, a provider contracted with the County to qualify potential participants in the NSP program will be required to post the applications and other information regarding the program on their website. Applicants must complete and submit all required information on all household members for a determination of income eligibility.

1.9 Applicant Selection Criteria - Homebuyers

1. Eligible applicants will be selected on a first come, first qualified, first served basis subject to funding availability. No other ranking or scoring process will be used. Applicants will not be ranked until they have submitted a complete application with all documentation required.
2. Eligible program participants must qualify as low-, median- or middle-income (LMMI) (at or below one hundred twenty percent (120%) of AMI). Income eligibility shall be determined upon completion of application process. Income eligibility is determined by using the total household gross income.
3. Applicant must have completed an eight (8) -hour HUD approved Homebuyer Education class prior to purchasing an NSP property or benefiting from Housing Finance Mechanisms.
4. Applicant must document the ability to obtain primary financing from a traditional mortgage source (e.g. bank, Federal Housing Administration (FHA), U.S. Department of Agriculture (USDA), etc) by providing a pre-award letter of commitment from a mortgage provider for the property to be purchased as the primary residence.
5. Applicants will be subject to a criminal history check and may be disqualified from receiving assistance if there is a history of fraudulent or repeated felonious criminal behavior.

1.10 Applicant Selection Criteria - Renters

1. Eligible applicants will be selected on a first come, first qualified, first served basis subject to funding availability. No other ranking or scoring process will be used. Applicants will not be ranked until they have submitted a complete application with all documentation required.
2. Eligible program participants must qualify as LMMI (at or below one hundred twenty percent (120%) of AMI). Income eligibility shall be determined upon completion of application process. Income eligibility is determined by using the total household gross income.
3. Applicant must have completed an eight (8) -hour Maintenance Education class prior to renting an NSP property or benefiting from Housing Finance Mechanisms.
4. Applicants will be subject to a criminal history check and may be disqualified from receiving assistance if there is a history of fraudulent or repeated felonious criminal behavior.

1.11 Income Verification

All verification of income will conform to the requirements of 24 CFR Part 5. Written verification of income shall be required to document the applicant's income eligibility projecting income for the next twelve (12) months. Applicants will be required to submit proof of income and assets for all household members. Self-employed applicants may provide a copy of his/her tax return from the previous two (2) years. In addition, the applicant or his or her bookkeeper should supply an income and expense report for current previous three months.

1.12 Assets

All assets will be verified for all household members in accordance with HUD guidelines, and any additional guideline established by the County to prevent fraud and abuse of the program and to ensure eligibility. All assets held by each member of an applicant's household must be verified. Assets include but are not limited to: checking accounts, savings accounts, certificates, stocks, bonds, and real estate. All income derived from assets will be included in the applicant's gross income amount.

1.13 Mobile or Manufactured Housing

Mobile or Manufactured housing will not be eligible as a type of housing offered for sale or rehabilitation. However, demolition of abandoned foreclosed mobile or manufactured housing will be an eligible activity for Land Banking. The County does not intend to use Land Banking as an activity for NSP funds.

1.14 Closeout Documentation

An administrative closeout will be submitted only after all activities have been completed and all documents required for final payment for all activities, including but not limited to final inspections, release of liens, certificates of occupancy, and recording of liens has been received. Funds transferred from the NSP operating account or the escrow account will remain under the control of the County and are not considered expended for purposes of administrative closeout unless they will be paid out as part of the closeout.

A separate file will be maintained on each housing unit and client by activity as part of the administrative closeout for each activity providing direct benefit. In addition, the following data will be provided by housing unit and summarized by activity as part of the administrative closeout for each activity providing direct benefit:

1.14.1 Housing unit files will contain the following information:

- Address
- Date of rehabilitation/construction completion
- Date of sale
- Amount of NSP spent on the unit

1.14.2 Client files will contain the following information:

- Female Head of Household data
- Handicapped persons in the household

- Number of elderly person in the household
- Household income as to 30%, 50%, 80%, or 120% AMI
- Number of household members
- Sex of all household members
- Racial demographics by head of household by number

1.14.3 Additional Information Maintained in Files

All information and supporting documentation related to the purchase, bids, contracts, rehabilitation, sale, and client will be maintained in each file. Files will be maintained by Strategy and Activity for easy access and audit.

1.14.4 Notification When a Housing Unit is Deleted from the Program

The County or a selected developer/consultant will provide written notice to a prospective homebuyer, and/or renter when a housing unit is deleted or becomes ineligible from the program. Such letter shall be sent by certified and registered mail.

2 NSP ACTIVITIES

2.1 Acquisition 24CFR 570.201(a) Summary of Activity

This activity will provide funds to acquire real estate owned (REO), foreclosed properties for the purpose of rehabilitation and resale, and/or rental to individuals or households at one hundred twenty percent (120%) of the AMI or less. Properties will be acquired through privately negotiated purchases between the Developer (Community Based Organization) and sellers or representatives of sellers of foreclosed residential properties. All foreclosed properties acquired will be utilized to provide affordable housing to benefit individuals and households with incomes at one hundred twenty percent (120%) AMI or less. No funds will be used in conjunction with properties that have been or will be acquired through eminent domain.

Acquisition of foreclosed or abandoned properties using NSP assistance triggers Uniform Relocation Act (URA) requirements. The URA acquisition requirements apply to anyone who uses NSP funds (or any Federal financial assistance) to acquire property including any agency, non-profit, or individual homebuyers who use federally funded, down payment or other financial assistance. To meet the requirements at 49 CFR 24.101(b)(1)-(5) (commonly known as the URA voluntary acquisition requirements), the owner of record must be notified in writing that Federal financial assistance will be used in the transaction and that if agreement cannot be reached through negotiation, that the acquisition will not take place. All NSP transactions must be voluntary.

Further, under NSP, an appraisal of each individual foreclosed property must be made to determine the current fair market value within sixty (60) days prior to making the final offer and the owner must be advised that, under NSP, the acquisition price must be at a discount from the fair market value (the offer price should reflect the discount proposed by the buyer). Any acquisition under possible threat of eminent domain cannot be considered a “voluntary acquisition” (even if the seller is willing to negotiate). Emergency Rule 9BER09-1 (17) (Appendix D) outlines that State NSP funds cannot be used in conjunction

with properties acquired through eminent domain. HUD has developed a number of sample guide forms to assist NSP grantees in meeting these requirements. The guide forms and other information and resources are available on the NSP Acquisition & Relocation Resources page at:

<http://www.hud.gov/offices/cpd/library/relocation/nsp/index.cfm>. Forms may also be found on the Florida Department of Community Affairs website at:
<http://www.floridacommunitydevelopment.org/cdbg/DownloadsRecipients.cfm#ACQREL>

2.2 Property Type / Purchase Price Limit

Acquisition funding will be available for purchase of foreclosed residential units including single family residences, townhomes, and condominiums. Prefabricated, manufactured housing or trailers are not allowable to be acquired under this program. Unit purchase price may not exceed ninety-nine percent (99%) of current market appraised value. The County NSP program will obtain an appraisal that is issued within sixty (60) days from the date of the final offer.

2.3 Solicitation of Bank Owned Properties

The County through a contracted developer/provider will advertise in a local daily newspaper of general circulation to solicit a list of properties from banks, mortgage companies, and entities such as Fannie Mae, Freddie Mac, etc. Notice will include information regarding mandatory minimum discount for purchase price.

The County will also search the County Clerk of the Court web site to identify banked owned properties and will also visit:

www.realtor.com,

<http://reosearch.fanniemae.com/reosearch/>,

http://www.homesteps.com/hm01_1featuresearch.ht,

<http://www.hud.gov/homes/homesforsale.cfm>, to develop a list of their foreclosed properties in our area. In addition to researching foreclosed properties for sale, owners of foreclosed properties may be contacted directly by the County or its representative.

2.4 Identification of Units

2.4.1 Criteria for selecting units to be acquired

Properties eligible for acquisition shall include:

- **Properties located within the designated Target Areas, or Areas of Greatest Need (AGN)**
- **Properties that have been foreclosed, abandoned or blighted** (Defined as property that is at least sixty (60) days delinquent on its mortgage and the owner has been notified; or the property owner is ninety (90) days or more delinquent on tax payments; or under state or local law, foreclosure proceedings have been initiated or

- completed; or foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, sub-recipient, developer, or end user.),
- **Units not located in a flood zone,**
 - **Units that were built after January 1, 1978, and**
 - **The purchase, closing and rehabilitation total combined cost for a unit does not exceed one hundred and twenty-five thousand dollars (\$125,000).**

Disqualifying criteria includes units:

- **Properties with excessive liens or recorded encumbrances the resolution of which would not meet program timeframes.**
- **Properties with environmental or other hazards that would preclude a timely and cost effective acquisition and disposition.**
- **Properties with encroachments that cannot be brought back into compliance within the require time frames.**
- **Unit where the cost to repair to standard condition exceeds fifty percent (50%) of the appraised value.**
- **Unit has elements that would incur extraordinary costs (e.g. swimming pools, docks and seawalls).**

2.4.2 Property Developers

The County may contract with a provider/consultant to assist in identifying potential units for acquisition and housing rehabilitation evaluations and inspections. Professional services rendered shall include but not be limited to: identification of potential units to acquire, initial on-site inspection of units, market analysis, estimated probability of re-sale, title search and negotiation with banks/owners of identified properties, and working with the Title Company to prepare for closing. The County will provide instruction and forms on the division of duties between developer and housing specialist/program manager before commencement of any work.

The provider/consultant must have experience in affordable housing programs and may not have complaints filed with the Florida Department of Business and Professional Regulation. The provider/consultant must have experience in helping clients qualify for a first mortgages, assist with inspections, coordinating closing, scheduling appraisal inspections and other duties necessary to complete the purchase process.

2.4.3 Housing Inspector

Developer will be responsible for conducting home inspections and coordinating with the County contracted housing specialist to perform initial inspections prior to acquisition of any housing unit for the purposes of NSP. Initial inspection will include a preliminary work write up to estimate rehabilitation costs in accordance with the County Housing Quality Standards, with initial reports provided by the developer and finalized by the County contracted Housing Specialist. The County and/or Program Manager will review the work write up to ensure that all standards and program requirements have been followed.

2.4.4 Code Violations and Liens

County staff will review the public records of all properties to be acquired under this program to determine if property meets local codes. If there are County violations on the property, the County will request that violations fees be waived. All violations will be corrected to ensure that all properties comply with local codes. If violations or liens are filed by County government not by the County providing the NSP assistance or vice-versa, liens will be paid when the property is acquired if they cannot be negotiated for release.

Before any work is initiated on the property purchased with NSP the Financial Services Department or a contracted inspector will review all local records to determine if any local codes have been violated and there are liens on the property for such violations. All violations will be addressed as part of the rehabilitation process. Any liens placed on the property acquired by the County will be waived by the appropriate department.

2.5 Timeframe

Foreclosed properties purchased under this activity are required to be made available for resale to individuals or households at one hundred twenty percent (120%) of AMI eligible applicants immediately after completion of rehabilitation based on the date of Certificate of Occupancy or issuance of a Certificate of Completion.

2.6 Appraisals

Appraisals will be conducted individually and are to be ordered once during initial purchase analysis and again within sixty (60) days of final offer. An appraisal will be conducted upon resale and can be ordered by the seller if the appraiser and the appraisal conform to the requirements of URA 49 CFR 24.103. Appraisers must be Florida State Certified and licensed in good standing with the State of Florida Department of Business and Professional Regulation. Appraisals must be performed in conformity with the appraisal requirements of URA at 49 CFR 24.103. The Developer will be responsible for procuring appraisal services.

Current market appraised value is defined as the value of a foreclosed/abandoned/blighted residential property or structure that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within sixty (60) days prior to making a final offer.

2.7 Environmental Assessments

As a recipient of NSP funds the County will complete the environmental review process outlined in 24 CFR 58. Environmental assessments will be forwarded to the DCA for review and approval. DCA will approve release of funds. Funds will not be released until the assessment contains all required notices, checklists and other supporting documentation.

The County will review the categorical exclusions and related forms to determine if any project qualifies as either “Categorically Excluded Not Subject To (CENST)” or “Categorically Excluded Subject To” (CEST).

- A full assessment may be completed to cover all activities; however, site-specific checklists and supporting documentation are required for Single Family Housing Units (SFHU).
- A concurrent notice is required for any project that cannot be considered CENST.
- An unspecified site strategy may be used for the acquisition/rehabilitation of single-family housing units that have not yet been selected.
- A multi-family checklist must be completed for the acquisition/rehabilitation of multi-family units.

2.8 Historical Significance

Prior to making an offer on the property the County will review the public records from the Property Appraiser or Tax Assessor to document the age of the property. If the age of the property is greater than fifty (50) years old and staff still chooses to purchase the property, the property will be submitted to the State Bureau of Historic Preservation to determine if the property is historically significant. All requirements of the State Historic Preservation Board or local ordinance will be followed for properties that are deemed historically significant.

2.9 Lead Based Paint

The County does not intend to purchase properties built before 1978. However, the following procedures will apply with the detection of lead based paint. The County certifies that its activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of the federal regulations.

Lead based paint will be addressed for all units constructed prior to 1978 and receiving repairs that exceed five thousand dollars (\$5,000) as follows:

- All damaged paint surfaces will be repaired.
- The entire property will be evaluated by a risk assessment.
- Units assisted between five and twenty-five thousand dollars (\$5,000 and \$25,000) will have all lead hazards addressed by interim controls using lead safe work practices.
- Assistance above twenty-five thousand dollars (\$25,000) will have all lead hazards, as identified by the risk assessment, abated. Lead hazard reduction will be performed in a manner consistent with the findings in the risk assessment report (§35.1320).

2.10 Survey

A survey will be performed on all properties prior to purchase to determine encroachments, easements and flood elevation. The Developer will be responsible for procuring survey services.

2.11 Title Search

The seller's Title Company or contracted Title Company will perform required title searches for NSP units. The Developer will be responsible for procuring Title Search services, where needed.

2.12 Flood Plain

The County does not intend to purchase homes within the one hundred (100) -year floodplain. Homebuyers that purchase improved properties within the one hundred (100) -year flood plain will be required to purchase and maintain flood insurance for the term of the affordability period.

2.13 Fraud Mitigation

To prevent the opportunity for fraudulent activities or fiscal mismanagement related to real estate and financial transactions, the County will work with a third party management or accounting entity that can assist with proper asset valuation and secured transactions.

The County will maintain:

- An accurate, current, and complete disclosure of the status and financial results of the NSP in accordance with specified requirements.
- Records that adequately identify (by activity) the source and use of funds for each NSP-supported project.
- Effective control and accountability for all funds, property, and other assets.
- Procedures to comply with the timely distribution of funds requirement of Treasury Circular 1075 and 24 CFR Section 570.51 1.
- Accounting records that are supported by source documentation.
- Internal controls and segregation of duties designed to eliminate fraud and abuse.

2.14 Closing

The Developer will contract with a real estate attorney or Title Company for services associated with all property closings unless the lender requires use of their closing agent. A title search and a title insurance policy shall be issued at closing to ensure clear title is being transferred to the owner. The title agent will notify all parties of date and time of closing and provide a HUD 1 form to all parties at least twenty-four (24) hours prior to closing.

2.15 Insurance

Builders Risk Insurance will be provided by the General Contractor on all properties under the rehabilitation contract as part of the scope of services until Certificate of Occupancy. All property owners assisted under this program will be required to purchase and maintain, for the term of the affordability period liability and hazard insurance including fire, casualty and flood insurance if property is located in a flood zone.

2.16 Acquisition Costs

Eligible cost include Legal fees, appraisals, title insurance, site surveys, documentary stamps on mortgages and deeds, intangible taxes and recording fees associated with purchasing properties will be considered acquisition costs.

2.17 Uniform Relocation Act

All property acquisition shall be undertaken in compliance with the “Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970” and applicable Florida Statutes. It is not expected that any relocation activities will be undertaken.

3 HOUSING REHABILITATION 24 CFR 570.202 (A)

3.1 Summary of Activity

This activity will provide funds to finance the rehabilitation of foreclosed units purchased under the NSP program for sale, and/or rental to eligible applicants. All properties rehabbed under this activity will be transferred for the purpose of affordable housing to benefit LMMI households for homeownership.

3.2 Rehabilitation Standards

The Developer will inspect, and cooperate with the County contracted housing specialist will inspect the property to determine what repairs, if any are needed to bring the property into compliance local rehabilitation standards. The Developer must submit an initial work write up to the County contracted housing specialist, who will review and finalize the scope of work for approval by the County.

Each housing structure acquired and rehabilitated with NSP funds will be monitored by the County through the rehabilitation process and be inspected by the County to ensure that upon completion, the housing unit will meet all of the following standards:

1. HUD Section 8 Housing Quality Standards (24CFR982.401),
2. Local zoning ordinances,
3. State of Florida Building Code,
4. Local building code,
5. Modern, green building and energy-efficiency improvements,
6. Florida Energy Efficiency Code for Building Construction (Newly Constructed Housing),
7. If, applicable Accessibility requirements of 24 CFR Part 8, 24 CFR100.201, and 24 CFR100.205,
8. Appliances will be replaced as recommended by the Housing Inspector. (Replacement units shall have Energy Star label),
9. Replacement flooring material will be of similar material except that vinyl will be replaced by tile, carpet, or if comparable in price laminate wood flooring.

Before any rehabilitation work begins, the housing inspector will determine if the unit meets local codes. All violations including but not limited to nuisance, trash, environmental and health codes will be addressed as part of the rehabilitation process.

3.3 Work Write Up

The Developer will prepare, in conjunction with the County contracted qualified housing specialist a detailed work write-up (SOW or scope of work) specifying the improvements needed to bring the unit up to NSP Rehabilitation Standards and local code requirements. Upon completion, the initial work write up must be submitted to the County contracted housing specialist for finalizing the SOW. It then is submitted to the County for final approval. This work write-up may require further detailed inspection and may include consultation with the County Building Department. The work write-up will consist of a detailed description of all repairs needed for the unit and a confidential estimate of the associated costs. Specifications will include energy conservation or energy production measures proposed for the structure, and lead based paint inspection and any necessary abatement. Additionally, the inspector will review the property to ensure that it meets all appropriate local codes such as nuisance, trash and other environmental or health codes.

3.4 Soliciting Qualified Contractors for Contractor List

A newspaper advertisement will be published at least once annually to recruit interested area contractors. Additionally, public notice will be posted on the County Website at least every one hundred twenty (120) days. The Bidders list is open to any Florida Department of Business and Professional licensed and insured General Contractor who wishes to participate in the program. The application will be provided to any interested General Contractor and is available year round (24 CFR 85.36).

3.5 Contractor Screening

Contractors will be required to submit an application for consideration. Contractors who wish to participate in the rehabilitation/construction of homes must be licensed by the State of Florida, DBPR; may not be debarred by HUD; must have at least one (1) reference each from a homeowner, subcontractor and supply house; must have one (1) year documented housing rehabilitation experience and must have minimum insurance as required by the purchasing department.

The County may disqualify any General Contractor with a known record of discriminatory employment practices or who appears on HUD's list of debarred contractors. Contractors will be expected to comply with applicable equal opportunity and civil rights laws and regulations. The County will encourage participation by minority contractors and will provide assistance to them in qualifying to perform available work. Contractors will be encouraged to employ qualified Section 3 individuals and businesses and businesses and individuals within the project vicinity, and provide assistance to them in qualifying to perform the work needed.

3.6 Contractor Project Limits

A single contractor shall be limited to a maximum of two (2) projects at any given time. This requirement may be waived by the Project Administrator in the best interest of the program and/or if the bid pool is insufficient and awards must be made in accordance with the number of qualified bidders available.

3.7 Bid Process

3.7.1 Invitation to Bid

The Developer will be responsible for soliciting in writing (mailed, faxed or emailed) General Contractors who have previously qualified for inclusion on the bidders list with the County. The Developer is not required to use County procurement procedures. However, the Developer must either use County approved contractors at the time of the work, or submit any new general contractors they want to use for the County's approval to perform work on NSP units, prior to awarding any NSP funded work. All contractors must attend and sign in at the notice to bidder's (NTB) meetings to take place prior to contractor property walkthroughs. Those who do not attend will not be allowed to bid on the corresponding bid round properties. Contractors who do not attend three (3) consecutive NTB meetings may be dismissed from the eligible contractors list.

3.7.2 Contractor Walk-Through

The Developer shall be responsible for any pre-bid meetings at the unit prior to bid submittal. The Developer shall be responsible and liable for ensuring that contractors are fully informed about the scope of work for any NSP units and responsibilities under the NSP program. Any changes to the work write up or specifications must be approved by the County before the work is completed

3.7.3 Bid Awards

Evaluation and award of contractor bids is the responsibility of the Developer. . Consideration may be given to such factors as past contract performance, time of performance, and apparent capacity to carry out the work. The County shall approve all NSP contractor work in advance of any expenditures.

3.8 Contracts

Rehabilitation contracts on homes owned by the Developer will be executed between the General Contractor and the Developer. The County will review and approve contracts in advance of any work. Rehabilitation contracts on homes owned by a sub-recipient will be executed between the General Contractor and the sub-recipient.

For rehabilitation work that will occur once the purchaser has closed on the home, the purchasers will enter into a contract with the contractor who will be performing the work authorizing the contractor to proceed with the rehabilitation of the property. The rehabilitation work to be performed will be outlined in written specifications.

3.9 Inspections

During construction, the County staff or its designee and the Building Department will periodically inspect the work to ensure compliance with all contracted work specifications and the State Building Codes.

3.10 Payments

All contract payments shall be made by the Developer directly to the General Contractor. The Contractor will submit required pay request forms which will require the Developer

inspection and approval prior to issuance of payment. Progress payments may be received prior to contract completion, but progress payments will be subject to a ten percent (10%) retention requirement and payments shall not exceed seventy-five percent (75%) of the total contract prior to contract close-out. Payment request forms will be processed by timely submissions and the County will review and approve all work.

3.11 Change Orders

Changes in work that may become necessary during construction will be negotiated by the Developer's staff. The General Contractor and Developer shall make no changes in the work nor seek payment for changes or additional work without prior County approval of a written change order.

The Contractor is required to agree within his signed bid and subsequent contract, that any change orders for rehabilitation or reconstruction of housing units which cumulatively exceed one thousand dollars (\$1,000) above the original contract amount, shall only be paid with NSP funds if those change orders are to correct documented code violations based on a legitimate code violation report or to meet Section 8 Housing Quality Standards.

3.12 Final Inspections/ Project Closeout

Upon completion of the work, a final inspection will be performed by the Developer, and the County Building Department to ensure that all work complies with the contract and building code. The General Contractor shall submit a final invoice and warranty documents including Owner's Certification of Completion and Compliance, a statement from the contractor that all work authorized under the contract and any subsequent change orders has been completed and inspected as per code, Release of Lien, Subcontractor Release of Liens and Warranty for Rehabilitation. Following receipt of required documents and approval of work, the Developer will authorize final payment. Prior to listing the property for resale it must meet all applicable building codes. Deficiencies must be corrected prior to the purchase transaction by a County qualified buyer.

3.13 Work Guarantees

Contractors are required to guarantee all workmanship for a period of at least one calendar year (365 days) following contract close-out and provide applicable appliance and material manufacturer warranties.

3.14 Environmental Review

All properties to be purchased, rehabilitated and sold will be subject to an environmental review in accordance with 24 CFR part 58 prior to a request of release of funds from HUD. Activities that are categorically excluded will contain the HUD approved checklist in each file. No funds will be drawn until all environmental activities have been concluded and cleared.

3.15 Activity Admin Delivery Costs

Activity delivery costs under NSP shall be considered costs associated directly with rehabilitation of NSP assisted units beyond the actual cost of rehabilitation construction.

These costs may include work write-ups, inspections, structural integrity inspections, lead based paint inspections, legal fees associated with rehabilitation deferred payment loans (DPLs), and recording fees associated with rehabilitation DPLs.

Costs to secure NSP purchased properties against vandalism during an interim period and costs for temporarily maintaining a property (security, grass cutting, insurance, etc.) are eligible expenses that are activity delivery costs. Activity delivery costs are not general grant administration activities and should not be included in expenditures for administrative activities.

3.16 Green Technology and Energy Efficiency

Florida shall require all housing construction to incorporate modern, green building and energy-efficiency improvements in all NSP activities to provide for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods. **Basic green requirements will include energy efficient appliances and lighting, high efficiency HVAC of 14 or higher.**

3.17 Lead Based Paint

Units assisted with NSP funds are subject to the Lead Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations at part 35, subparts A, B, J, K, M and R of this title.

4 DISPOSITION 24 CFR 570.201 (B)

4.1 Summary of Activity

The County will undertake disposition of foreclosed and abandoned homes and residential properties and blighted structures if foreclosed or abandoned through the sale, or donation, to an income eligible buyer or an eligible for profit or non profit entity. All dispositions of property under this program shall be made subject to contractual conditions and/or covenants insuring the continuing use of the property for purposes consistent with NSP program objectives.

4.2 Disposition for Homeownership to LMMI Households

4.2.1 Sales Price

The sales price of each NSP unit shall be determined by an appraisal. Part of the subsidy used to acquire and rehabilitate the home can remain with the property as a subsidy to make the home affordable to the new buyer.

4.2.2 Non-Profit Partner for Disposition / Homeownership

The County may wish to contract with a non-profit partner to handle several components pertaining to disposition of NSP units for homeownership, including but not limited to: marketing of units, applicant intake, credit counseling, working with lenders, and preparation of income eligible homeowner file for submission prior to closing. A

Developer fee, which shall be negotiated per unit, not to exceed 10% of total project cost, shall be paid to non-profit partner at time of closing.

4.2.3 Selection of Non-Profit Partner

If a non-profit organization is utilized, the selection will be made via the County's Request for Proposal (RFP) process and must meet the following selection criteria:

- Designated 501(c)(3) non-profit organization under IRS guidelines or Governmental Agency whose purpose is to further ownership of affordable housing;
- Legally operating within the jurisdiction of the County;
- Has demonstrated track record and at least three (3) years experience in the development or sale of affordable housing.

4.2.4 Affordability Period for homeownership

The periods of affordability applicable to NSP homebuyer projects are as follows:

| | |
|----------------------------------|----------|
| Under \$40,000 of NSP Assistance | 10 years |
| Over \$40,000 of NSP Assistance | 15 years |

4.2.5 Recapture

Repayment of the full NSP award (funds used to purchase and rehabilitate the housing unit) will be immediately due to the County in the event any "qualifying event(s)" occur prior to the affordability period specified above in Section 4.2.4.

Qualifying event(s) are considered to be:

- Title transfer,
- Unit is no longer occupied by a qualified tenant,
- Unit is refinanced without prior authorization of the County,
- Failure by the owner/manager to maintain the unit consistent with County Code of Ordinances, or the Florida Building Code, and
- Owner fails to maintain required insurance.

The County will follow the program income policies as established by DCA for all program income received. If assisted homeowner does not trigger any of the above mentioned qualifying events prior to the expiration of the note, the loan is totally forgiven. A release will be recorded in the public records. In the event the homeowner wishes to refinance his or her first mortgage or take out an equity loan to make repairs or improvements, the request must be in compliance with the County's subordination policy. This policy is provided prior to potential homeowners prior to purchase and the language will be included in the mortgage.

4.2.6 Land Use Restriction for Rental Properties

Upon selection of an owner/manager, the County will impose a covenant on the land and unit, requiring that it be maintained as an affordable rental unit for tenants with a household income at or below fifty percent (50%) of AMI for fifteen (15) years.

4.2.7 Affordable Rents

Units will be rented for no more than the Fair Market Rents (FMR) as published annually by HUD. However, the selected owner/manager of the housing unit purchased with NSP funds will review the current fair market and may reduce the rents to ensure that they are affordable to tenants at fifty percent (50%) of AMI.

4.2.8 Marketing

The County or a selected consultant/developer will advertise the notice of funding availability through the NSP in a newspaper of general circulation and periodicals serving ethnic and diverse neighborhoods, at least thirty (30) days before the beginning of the application period. The advertisement shall contain the following information:

- i. Where individuals can gain access to an application,
- ii. The period during which applications will be received,
- iii. Criteria for selection,
- iv. The ranking/scoring process, and
- v. Whether or not the local government will assist in the acquisition and rehabilitation of foreclosed or abandoned mobile homes, modular homes, or other forms of manufactured housing.

In addition to a notice of funding in the newspaper of general circulation and periodicals the County will post on its website the notice of funding availability.

4.3 Qualifying Potential Homebuyer/Renter

4.3.1 Counseling Requirements

Homebuyers purchasing NSP assisted housing must complete a minimum of eight (8) hours of home buyer counseling from a HUD approved agency. The Counseling may be provided in a classroom setting, one on one or a combination of both formats. The applicant must provide proof to that they have attended this course within the last six (6) months prior to closing by presenting a Certificate of Completion which shall be maintained in client file.

4.3.2 Loan Requirements

Homebuyers must be prepared to purchase a home in a designated target area and obtain a conventional, FHA, Veteran's Administration (VA), thirty (30) or fifteen (15) year, fixed rate mortgage. Sub-prime mortgages and adjustable rate mortgages are not allowed. The purchaser may qualify for a second mortgage subsidy under the NSP program based on the income limits and income guidelines under 24 CFR part 5. Second mortgage subsidies will not exceed forty thousand dollars (\$40,000). Assistance will be in the form of a second mortgage deferred payment loan. The second mortgage loan amount will be determined by need on a case by case basis. Front end ratios cannot exceed thirty-five percent (35%) and back end ratios cannot exceed forty-one percent (41%) for any buyer under this program, unless determined otherwise allowed by the Program Administrator on a case by case.

The full amount of the loan is due and payable if the property is sold, transferred and/or ceases to be the primary residence of the applicant during the term of affordability. An heir that meets the income guidelines of the program can execute a new second mortgage loan instrument and must agree to comply with all of the terms and conditions of the second mortgage.

4.4 Environmental Review

Disposition is categorically excluded subject to Sec. 58.5.

4.5 Disposition Costs

Eligible disposition cost include Legal fees, appraisals, title insurance, site surveys, documentary stamps on mortgage and deed, intangible taxes and recording fees associated with the selling of properties will be considered disposition costs.

5 FINANCING MECHANISMS 24 CFR 570.201(N)

5.1 Summary of Activity

Units shall be available for purchase by households at or below one hundred twenty percent (120 %) AMI as defined by the current Income Limits chart adjusted to family size as published annually by HUD for the County. This activity will provide funds to establish financing mechanisms to support LMMI households in purchasing NSP properties. Subsidy provided to the applicant will be based on the applicant's ability to make monthly payments on the loan. The County will rely on the first mortgage lender to determine the amount of subsidy needed by the applicant to qualify for the home, however, the front ratio shall not exceed thirty-five percent (35%) and back ratios shall not exceed forty-one percent (41%) unless determined otherwise allowed by the Program Administrator on a case by case.

5.2 Maximum Award

The maximum purchase assistance to an income eligible buyer approved by the County is limited to forty thousand dollars (\$40,000). The first mortgage lender will determine the amount of subsidy needed to make the home affordable. In no instance will the front end ratios exceed thirty-five percent (35%) and the back end ratios exceed forty-one percent (41%).

5.3 Affordability

For the purpose of this plan, housing is considered affordable when the monthly mortgage payment, including taxes and insurance do not exceed thirty-five percent (35%) before expenses or forty-one percent (41%) after monthly expenses loan to value ratios.

5.4 Sale to Homebuyer/Renter

Approved and qualified homebuyers, and/or renters will be assisted first come, first qualified, first ready. Homes will be shown to applicants and sales will be negotiated through the Realtor or Housing Provider partner. The County will work in conjunction with the Title Company to finalize the sale.

The buyer must have completed the eight (8) hour HUD approved counseling course, or renter maintenance class and be approved by a first mortgage lender before being income qualified for the program by the County.

5.5 Financing

Administrative Expense to Facilitate Housing 24CFR Purchase assistance to income eligible buyers will be provided to LMMI eligible households in the form of non-amortizing, zero percent (0%) interest, forgivable, deferred payment loan. All loan awards will be secured with a second mortgage/promissory note. Loan terms are as follows:

- Assistance in the amount of forty thousand dollars (\$40,000) or less will require a ten (10) year non-amortizing mortgage.
- Assistance in an amount greater than forty thousand dollars (\$40,000) will require a fifteen (15) year non-amortizing mortgage.

6 ADMINISTRATIVE EXPENSE TO FACILITATE HOUSING 570.206 (G)

As defined in the NSP Emergency Rule 9BER 09-1 (5)(e) (Appendix D), program administration costs cannot exceed 6.8% of the allocation. Activity delivery costs should be included in the non-administrative activity cost and should not be reflected as program administration.

The County may use up to six and eight-tenths percent (6.8%) of their allocations and up to six and eight-tenths percent (6.8%) of any reallocated funds for administrative activities outlined in 24 CFR 570.205-206. Administrative costs include costs associated with overall Neighborhood Stabilization Program management, preparation of reports, coordination, monitoring, and evaluation of the State of Florida's NSP funds. This does not include costs associated with carrying out required homebuyer counseling activities or activity delivery costs.

Activity delivery costs under NSP shall be considered costs associated directly with rehabilitation of NSP assisted units beyond the actual cost of rehabilitation construction. These costs may include work write-ups, inspections, structural integrity inspections, lead based paint inspections, legal fees associated with rehabilitation deferred payment loans (DPLs), and recording fees associated with rehabilitation DPLs. Per NSP Emergency Rule 9BER 09-1 (3)(a) (Appendix D), NSP shall pay no more than ten percent (10%) of the actual housing construction budget for activity delivery costs.

Legal fees, appraisals, title insurance, site surveys, documentary stamps on mortgages and deeds, intangible taxes and recording fees associated with purchasing properties will be considered acquisition costs. Legal fees, appraisals, title insurance, site surveys, documentary stamps on mortgage and deed, intangible taxes and recording fees associated with the selling of properties will be considered disposition costs. Costs to secure NSP purchased properties against vandalism during an interim period and costs for temporarily maintaining a property (security, grass cutting, insurance, etc.) are eligible expenses that are activity delivery costs. Activity delivery costs are not Administration activities and should

not be included in expenditures limited to six and eight-tenths percent (6.8%) for Administrative activities.

6.1 Summary of Activity

This activity will provide a means for the administration of all program strategies. Total amount expended for administration will not exceed six and eight-tenths percent (6.8%) of the overall NSP allocation.

6.2 Administrative Requirements of DCA:

- Annually monitored for up to four (4) years
- Six (6) year retention of record after final closeout
- Monthly reporting to DCA is required
- Annual Internal Audit required (five hundred thousand dollars (\$500,000) or more drawn down in Federal funds)

6.2.1 Reporting

Sub-grantees shall report on their program progress to the Department on a monthly basis using the NSP Monthly Status Report. The Department has provided a standardized form for this reporting in Appendix A of the NSP Grant application. These reports must be submitted to the Department by the fifteenth (15th) of each month. The Department will use these reports to provide data to HUD through the CDBG Disaster Recovery Grant Reporting (DRGR) system and to evaluate a sub-grantee's progress toward obligating and spending NSP funds. DRGR will be used as a tool for determining the basis for recapturing NSP funds. Sub-grantees shall require sub-recipients to provide them progress reports in a timeframe that allows for the sub-grantee to report to the Department by the fifteenth (15th) of each month. Additional reporting requirements will be outlined in an Attachment to the NSP Sub-grant Agreement, including the following:

- The Contractual Obligation and MBE Report to be submitted to the Department by April 15 and October 15 annually. The form must reflect all contractual activity for the period. If no activity has taken place during the reporting period, the form must indicate "no activity".
- Section 3 Reports that provide information on accomplishment outlined in the *Section 3 Employment* guidelines, this report is required on an annual basis until the NSP Sub-grant Agreement is administratively closed. Section 3 reports are due to the Department no later than July 31 of each year.

6.2.2 Administrative Closeout Package

The Administrative Closeout Package must be submitted to the DCA forty-five (45) days after the NSP Sub-grant Agreement termination date. The following data must be provided by housing unit and summarized by activity as part of the administrative closeout for each NSP activity.

- a. Address of each housing unit acquired and/or rehabilitated with NSP funds, the date the construction or sale was completed on the housing unit, and the amount of NSP funds spent on that housing unit;

- b. Whether the household is headed by a female, the number of handicapped persons in the household, the number of elderly persons in the household, and the LMMI status of the household;
- c. The number of occupants in the household, categorized by sex; and
- d. The racial demographics of the head of household by number (White, Black, Hispanic, Asian/Pacific Islander, or American Indian/Alaskan Native).

6.2.3 Audits

The County will submit an audit in accordance with OMB Circular A-122 and A-133 (Appendices Q & R respectively) to the Department if their local government received five hundred thousand dollars (\$500,000) or more in federal assistance within a Fiscal Year. For those meeting or exceeding this threshold, audits are due no later than June 30 of each year until all CDBG or NSP grants are Final Closed. Further instructions regarding audit requirements will be included in the NSP Sub-grant Agreement and will be provided to sub-grantees annually prior to the audit due date.

6.3 Environmental Review

Administration is an exempt activity per 24 CFR 58.34

6.4 Uses of Administrative Funds

Eligible administrative expenses include but are not limited to:

- Salary & Benefits
- Advertising
- NSP Travel and Training
- Audit Fees
- Printing
- Office Supplies
- Operating Supplies
- Planning Activities
- Management
- Oversight
- Environmental
- Historic preservation
- Fair housing
- Public information
- Coordination

7 CITIZEN PARTICIPATION

7.1 Citizen Advisory Task Force (CATF)

Public input for the Local Housing Assistance Plan was obtained through a series of public workshops/hearings with the Citizen's Advisory Task Force (CATF) and BOCC.

Staff has conducted the following face to face meetings with local non-profit groups

- Mid-Florida Housing Inc., and

The Flagler County Citizen Advisory Task Force (CATF) is composed of members from the County's Affordable Housing Advisory Committee (AHAC) . The CATF will provide public participation and meet all citizen participation requirements of the Florida State CDBG NSP.

A public hearing meeting on the proposed application was held on May 16th, 2011 at 5:00 p.m.

7.2 Public Hearing

All public hearings and workshops were or are to be advertised no later than five (5) days and no more than twenty (20) days prior to the workshop/hearing date. Flagler County will meet the requirements of the Citizen Participation plan adopted by the Florida Department of Community Affairs.

7.3 Conflict of Interest

Any members of the CATF with a conflict of interest shall disclose same and abstain from voting on the subject item. The minutes of the meeting shall reflect any abstentions.

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