

**City of Cocoa
Community Services Department
Housing & Neighborhood Services
Division**

Housing Program Policies & Procedures

For Purchase Assistance, Owner-Occupied
Rehabilitation, Demolition/Replacement Programs,
Subsidy Layering and Monitoring

Contents

- I. Objective..... 6
- II. Definitions and References..... 6
 - Appeal Procedure 6
 - Applicant..... 6
 - Assets:..... 7
 - Brevard County HOME Consortium..... 7
 - CDBG 7
 - Contractor 7
 - Deferred Loan:..... 7
 - Department..... 7
 - Discrimination 7
 - Eligible Property..... 7
 - Eligible Property Owner 8
 - Fair Housing 8
 - General Property Improvements..... 8
 - HOME..... 9
 - HUD:..... 9
 - Income:..... 9
 - Income Limits..... 9
 - Liquid Asset..... 9
 - Minimum Investment..... 9
 - Minimum Property Standards 9
 - Ownership interest..... 9
 - Principal Residence: 10
 - Program 10
 - Reconstruction:..... 10
 - Rehabilitation: 10
 - Replacement 10
 - Standard Housing Code: 10
 - Students 10

Subordination:	11
Uniform Physical Conditions Standards (UPCS)	11
III. Directives.....	11
Program Administration	11
Eligibility.....	11
Marketing.....	14
Determination of Work/Owner-Occupied Rehabilitation.....	14
Property Owners who are determined to be eligible for assistance shall receive financial assistance for the repair, rehabilitation or replacement of their home in accordance with the following schedule, under the requirements defined in Paragraph 6 of this section:.....	15
Owner Contribution.....	17
Contractor Procurement.....	17
Agreement and Lien	17
Temporary Relocation	19
Sweat Equity.....	19
Payment Procedure	19
Close-Out Procedure	20
Assisting Previously Assisted Units & Maximum Assistance Limit.....	20
Subordination of City Liens.....	21
Death or Relocation of Eligible Property Owners	21
Option 1-Housing Unit Remains an Affordable Housing Unit	21
Option 2-Satisfaction of the City's Lien.....	22
Option 3-Declare the Notes in Default and Bring Foreclosure Action:.....	22
Appeals.....	22
Follow-up	22
IV. Purchase Assistance Program Policy	22
Purpose	22
Program Goals.....	23
References	23
Definitions.....	23
Affordable.....	23

Applicant	23
CDBG.....	23
Department	23
FHFC	23
General Property Improvements	24
HOME	24
Homeownership	24
Low-income.....	24
Melbourne-Titusville-Palm Bay (Brevard) MSA.....	24
Moderate-income	24
Principal Residence	24
Rehabilitation	24
SHIP.....	24
Very low-income.....	24
Eligibility.....	24
Household Eligibility.....	24
Unit Eligibility.....	25
Levels of Assistance	25
Other Loan Terms	26
Subordination of Liens	26
Affirmative Marketing	26
Selection Criteria.....	27
Owner Contribution	27
Notification of Award	27
Purchase Assistance Program.....	27
Housing Counseling/Homebuyer Education.....	28
V. Subsidy Layering Policy	30
Purpose	30
Background	30
Definitions.....	30
Project Evaluation.....	31

Source/Use of Funds	31
Certification of Federal Assistance	31
Project Development Budget	32
Rate of Return on Equity Investment	32
Overall Evaluation.....	32
VI. Monitoring Policy and Procedures.....	33
Definitions and References.....	33
Directives	34
Selecting Subrecipients, CHDO's, Non-Profits, and For-Profits.....	34
Subrecipient/CHDO/Non-Profit/For-Profit Agreements	34
Monitoring Procedures.....	35
Objective	35
Monitoring	36
Financial Performance Monitoring.....	37
Corrective Actions	38
Technical Assistance and Training.....	39
Project Monitoring	39
Rental House Monitoring.....	40
VII. Reservation of Authority	40

I. Objective

This policy is designed to be utilized by the City of Cocoa's Community Services Department's Housing & Neighborhood Services Division staff in implementation of its federally funded *Community Development Block Grant (CDBG)* and the *HOME Investment Partnership Programs (HOME)* administered by the U.S. Department of Housing and Urban Development (HUD), and the State funded State Housing Initiatives Partnership (SHIP) Program, and any other grant funding the City may receive.

The intent of this policy is to clearly identify the specifications under which staff will implement programs that provide purchase assistance, housing rehabilitation, minor housing repair, and housing replacement (when it has been determined economically unfeasible to rehabilitate) assistance to owner occupied households at or below 80% of median income. Additionally, subsidy layering guidelines are identified within this policy. The Program will be implemented in partnership with private funding whenever available. The policy identifies authority levels for approval and eligibility restrictions, which exceed federal and state requirements.

II. Definitions and References

- Section 420.907 et seq. Florida Statutes, State Housing Initiatives Partnership Act.
- Administrative Rule of the Florida Housing Finance Corporation, 67-37 et seq., State Housing Initiatives Partnership Program.
- Titles I and II of the Cranston-Gonzalez National Affordable Housing Act, Public Law 101-625, HOME Investment Partnerships Program.
- 24 CFR Part 92, Final Rule, HOME Investment Partnerships Program.
- 24 CFR Part 570, regulations, Community Development Block Grant Program.

Appeal Procedure:

Established procedure by which an applicant or client may make a complaint or appeal a decision made by the Community Services Department's Housing and Neighborhood Services Program Staff.

Applicant:

A person or household who submits a signed and completed program application for assistance.

Assets:

Assets are defined by Section 8 regulations, 24 CFR Part 813. Actual or "Imputed" Income from assets is included in projected annual income. The Liquid Assets owned by the household of an Eligible Property Owner are limited to a cash value equivalent to the HUD determined annual income for a household at or below 80% of median income, adjusted for family size. Liquid assets do not include retirement accounts.

Brevard County HOME Consortium:

A legal entity created through an intergovernmental agreement between Brevard County and the Cities of Titusville, Cocoa, Melbourne, and Palm Bay.

CDBG:

Community Development Block Grant funds are provided to the city by the U.S. Department of Housing & Urban Development (HUD).

Contractor:

Licensed contractor who has met City Housing Program requirements to perform work on housing projects and has not been debarred from performing work on federally financed projects.

Deferred Loan:

A zero interest loan provided to qualified households which is forgiven without repayment upon satisfaction of all requirements of the household's agreement with the City of Cocoa.

Department:

City of Cocoa Community Services Department's Housing & Neighborhood Services Division.

Discrimination:

In accordance with the provisions of ss.760.20-760.37, it is unlawful to discriminate on the basis of race, color, religion, sex, national origin, age, handicap, or marital status in the award application process for eligible housing.

Eligible Property:

A Single Family property, occupied as a principal residence by an Eligible Household, including the following:

1. The Owner occupied portion of a one to four family property.

2. A condominium or cooperative unit except that attached units will not be eligible for replacement under this policy.
3. Any of the above moved to a new foundation constructed with HOME funds.
4. Halfway housing, dormitories (including farmworker dormitories), and all types of student housing, not just student dormitories are excluded from assistance. These types of residence constitute facilities or provide short-term or transitory housing.

The Property must be located within the City of Cocoa, and have an after rehabilitation value not to exceed 95% of the median purchase price for the area, as published by HUD (*Projects performed in conjunction with the Brevard County HOME Consortium are not restricted to the city limits of Cocoa, but must be located within the boundaries of the Brevard County HOME Consortium Area*).

Eligible Property Owner:

The household of the Eligible Property Owner must have a projected annual income at or below 80% of the median income level adjusted for family size. The Property Owner must occupy the property as his or her Principal Residence. A household owns the property if they:

1. Have a fee simple title; or
2. Maintain a 99 year leasehold interest; or
3. Have ownership or membership in a cooperative; or
4. Have a Life Estate; or
5. Have other forms of ownership approved by the City of Cocoa's Attorney's office.
6. Do not have any restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest; and
7. For HOME funded homeowner rehabilitation, §92.254(c) permits four (4) additional forms of ownership: heir property, life estate, living trust, and beneficiary deed.

Fair Housing:

Requirements for non-discrimination based on race, color, sex, religion, handicap, familial status or national origin in accordance with Federal Regulations found at 24 CFR 100-146 and State Law FS 750.

General Property Improvements:

These improvements include rehabilitation items which are corrections of health and safety code violations, but are improvements which place the unit in a readily maintainable condition for a useful life of at least five (5) years.

HOME:

HOME Investment Partnership Program administered by the U.S. Department of Housing and Urban Development and disbursed through the Brevard County HOME Consortium.

HUD:

United States Department of Housing and Urban Development.

Income:

Projected annual income established in compliance with HOME, CDBG and SHIP regulations, specifically established at 24 CFR Part 813, the Section 8 regulations.

Income Limits:

The City shall use the most current income limits issued for the program that is assisting the client (HUD or the State).

Liquid Asset:

Liquid assets are those in the possession of the household seeking assistance which can readily and promptly be turned into cash in a savings or checking account or a CD less than 3 years old. The following are excluded: retirement accounts, CDs over 3 years old, savings bonds, jewelry, guns, cameras, and equity in boats, RVs, and campers.

Minimum Investment:

The City shall ensure that the minimum HOME investment (or whichever funding source is used) is met.

Minimum Property Standards:

Minimum Property Standards establish certain minimum standards for buildings constructed under various HUD programs. The Standards include specific requirements for the durability of such items as doors, windows, painting and wall coverings, kitchen cabinets and carpeting. The standards ensure that the value of the home is not reduced by the deterioration of these components. (HUD Handbook 4910.1)

Ownership interest:

Must be in good, marketable title, subject to only certain restrictions (such as HOME resale restrictions, mortgages, deeds of trust, or liens or instruments that secure debt on the property), provided these are approved by the City.

Principal Residence:

The household must utilize the property as their primary residence, as established by eligibility for the State Department of Revenue Property Tax Homestead Exemption. The household may not vacate the unit for more than 120 non-consecutive days in any one calendar year for any reason, other than a hospital or nursing home stay.

Program:

Housing & Neighborhood Services Division's Purchase Assistance, Owner-Occupied Rehabilitation, and Demolition/ Reconstruction Programs.

Reconstruction:

Permitted for units that were destroyed by disaster and are not standing on the site at the time of project commitment, provided that HOME funds are committed within 12 months of the date of destruction.

Rehabilitation:

All units determined to require rehabilitation through housing grant funds shall be brought up to meet, at a minimum, the Florida Building Code approved by the City of Cocoa and the Program's written rehabilitation standards. Properties must meet local codes, grant funding requirements, including zoning regulations. Each major system must have a remaining useful life of at least five (5) years. Major systems include: structural support; roofing; cladding and weatherproofing (e.g. windows, doors, siding, gutters); plumbing; electrical; heating; ventilation; and air conditioning.

Replacement:

All units that exceed \$49,000 in rehabilitation assistance may be determined to require replacement. In cases where it is determined that the housing structure cannot be reconstructed on the same site, the eligible applicant will receive assistance in obtaining a new site and the original property will be deeded to the City of Cocoa, or to an organization designated by the City (i.e., CHDO or Habitat for Humanity).

Standard Housing Code:

Minimum standards for basic equipment and facilities for all buildings intended for occupancy by owner-occupants or renters shall be in accordance with the Florida Housing and Building Codes. This is also the minimum standard for rehabilitation performed with grant program funds.

Students:

The 2013 Rule specifically excludes certain students from participating independently in the HOME program. The HOME program adopts the Section 8 Housing Choice Voucher

(HCV) program restrictions on student participation found at 24 CFR 5.612, which exclude any student that:

1. Is enrolled in a higher education institution
2. Is under age 24
3. Is not a veteran of the U.S. military
4. Is not married
5. Does not have a dependent child(ren)
6. Is not a person with disabilities
7. Is not otherwise individually eligible, or has parents who, individually or jointly, are not eligible on the basis of income.

Excluded students are prohibited from receiving any type of HOME assistance, including renting HOME-assisted rental units, receiving HOME tenant-based rental assistance, or otherwise participating in the HOME program independent of their low- or very low-income families.

Subordination:

The process of placing, ranking, or positioning a mortgage as secondary to the primary mortgage.

Uniform Physical Conditions Standards (UPCS):

Uniform national standards established by HUD for housing that is decent, safe, sanitary, and in good repair, pursuant to 24 CFR 5.703. These standards are newly adopted for HOME rehabilitation, acquisition, and tenant-based rental assistance projects in accordance with revisions made to the property standards requirements at §92.251.

III. Directives

Program Administration

The City of Cocoa's Community Services Department's Housing & Neighborhood Services Division shall be responsible for the administration of the Purchase Assistance, Owner-Occupied Rehabilitation, and Demolition/Reconstruction Programs.

Eligibility

1. Applications shall only be received from homeowners that reside within the city limits of Cocoa. Homeowners whose property lies outside the City of Cocoa will not be accepted. These homeowners will be referred to the appropriate office within that municipality.

2. Applications from owners of trailers, mobile homes and other manufactured housing will not be accepted for this Program except when the unit is eligible for replacement with a site-built home or the city receives a grant which specifically allows assistance of such units. Applicants must submit a signed and dated application (provided by the Housing and Neighborhood Services Division) verification of ownership of an eligible property, verification of current homeowners' insurance, verification of payment of all taxes, verification of current mortgage statement (if any) and utilities, and verification of income and assets in a format approved by the City in accordance with the regulations of the grant funding. Completed applications are reviewed by staff in order of date received.
3. In the event a County, State, or Federal Disaster declaration is made, applicants who need assistance due to damage or destruction incurred during the disaster event will be given precedence over other applications; and
4. If property insurance proceeds or disaster assistance (FEMA, SBA) is received, proceeds must first be applied towards the repairs/rehabilitation of the property before the City provides any form of assistance. A statement of benefits along with proof of repairs must be provided.
5. Applicant must be a homeowner named on a Warranty Deed, Quit Claim Deed or other recorded document which the City Attorney's office has determined demonstrates a valid ownership interest.
6. The assistance level is determined by income level as listed in Section III.D.5.
7. If a property is owned by more than one individual, the residency of the co-owner(s) (spouse, former spouse, family member, friend, etc.) must be verified.
 - a. If the co-owner(s) reside in the household, then the co-owner(s) income must be included in the eligibility determination.
 - b. If the co-owner(s) has documented his/her residence at another location, then the co-owner(s) income is not calculated in to the household income. However, he/she must sign the Agreement with the City and the mortgage lien.
8. Applicants who have been determined to be Eligible Property Owners are served on a first qualified, first served basis, based on the date of determination of eligibility after review of the completed application. Applicants may be required to re-verify income and residence, after a time period determined by the grant funding, whichever is strictest. In addition, the City reserves the right to request additional or updated information at any time during participation in the program. In the event

that there is an income, elderly or special needs preference, those grant required preferences will be shown priority in assistance.

9. Applicants may not be given assistance if they have demonstrated their intention to sell or transfer their property within the next year; have a judgment, tax lien or other government lien on their property; or are determined to not have a good ownership interest through the underwriting review conducted by Program staff. Additionally, applicants may not be given assistance if they are more than one (1) month behind on their mortgage payment or utility payments.
10. To complete determination of applicant eligibility, the Program staff will request a title search (Ownership & Encumbrance Report) of the proposed property to determine ownership interest and eligibility of the property.
11. An underwriting review is conducted to ensure that City administered funds are utilized in a manner that ensures that financial accountability standards are met. An Applicant whose property has liens recorded against it which in total are in excess of the Property Appraiser's assessment of value of the property for the most recent assessment year shall be restricted to assistance or may be deemed ineligible and not assisted at all.
12. If an Applicant is determined to have impediments (e.g. liens, judgments, water liens, code enforcement liens/issues) to receiving assistance through these City Programs, staff will provide guidance and counseling to the Applicant to remove these impediments. Applicants are not Eligible Property Owners until all impediments have been removed or, alternatively, the level of assistance may be restricted due to the severity of the impediment(s). In these instances, limited assistance may be provided which eliminate public health or severe code deficiencies.
13. Applicants who are determined to be ineligible for assistance or who decline assistance through the Program must first show proof that their circumstances have changed to warrant a review and complete a new application. They will be considered new applicants at that point.
14. All properties assisted with federal or state funds, may be subject to an environmental review, lead based paint testing and abatement, and/or asbestos testing.
15. If it is determined that the property lies in a flood zone, the owner will be asked to demonstrate that there is flood insurance carried on the property until close-out of the project.
16. All housing rehab applicants must have homeowners insurance. If the home is uninsurable due to code issues, the applicant must provide documentation that homeowners insurance shall be obtained upon completion of rehab assistance.

17. Ineligible Applicants will be counseled on the City Approved Appeal Procedure.
18. Assistance shall not be provided to any property owner with an active code enforcement lien. All code liens must be satisfied prior to housing assistance.
19. Items in project case file shall consist of: underwriting information, applicant information, legal documents, property information, and construction management.
20. Items in case file shall consist of: project documentation, participant eligibility, property eligibility, property standards, eligible costs, contractor selection, construction management, loan processing and servicing, and on-site inspection.
21. The timeframe for income source documentation shall be 2 months for HOME assisted activities.

Marketing

The City of Cocoa shall abide by the Brevard County HOME Consortium Affirmative Marketing Policy.

The City shall take affirmative marketing steps to provide information and otherwise attract eligible persons from all racial, ethnic, and gender groups in the housing market area. A wide range of marketing strategies will be implemented to ensure that eligible persons have a reasonable opportunity to be informed about the program opportunities being carried out by the City of Cocoa and the Brevard County HOME Consortium.

On an annual basis, the City will review its marketing efforts to assess fair housing outreach and comply with fair housing regulations.

Determination of Work/Owner-Occupied Rehabilitation

Upon determination of property eligibility, Program staff will inspect the unit utilizing the Florida Building Code for existing housing adopted by the Cocoa City Council and Department approved rehabilitation standards, and will prepare work specifications and a cost estimate.

Rehabilitation Standards must be adequate to extend the useful life of the property for at least five (5) years, preferably longer, to protect the security of the rehabilitation deferred payment loan. Department approved rehabilitation standards shall include, at a minimum:

1. Correction of all violations of the Florida Building Code.
2. Correction of observable and identifiable problems which would lead to the violation of the Florida Building Code within the lien period.

3. Incidental repairs related to work performed under 2.a) or b) of this Section. (e.g. repair and painting of wall due to roof leak)
4. Addition of energy efficiency improvements which decrease the operating cost of the unit.
5. All replacement materials will meet FHA Minimum Property Standards and applicable industry standards.
6. Household systems and equipment shall be replaced on a unit for unit basis. Determination shall be based on need and safety of the household, including size of household and handicapped status of household member(s).
7. Barrier free items, such as, building/installing wheelchair ramps, grab bars, accessible showers, handicap toilets, sinks/faucets and widening of doors.
8. In accordance with Section 420.9075(3)(d), F.S, the City of Cocoa shall expend SHIP funds in a manner that encourages reduced long-term costs relating to maintenance, utilities, and/or insurance. Innovative design, green building principles, storm-resistant construction, or other elements will be incorporated in all housing strategies both for sustainability and to promote greater affordability.

All units assisted with federal funds will be evaluated for the potential presence of lead-based paint and asbestos. Owners will be noticed on the hazards of lead based paints. The treatment of defective paint surfaces is required.

Property Owners who are determined to be eligible for assistance shall receive financial assistance for the repair, rehabilitation or replacement of their home in accordance with the following schedule, under the requirements defined in Paragraph 6 of this section:

Income Level Adjusted by Family Size	Maximum Assistance
0-50% median income	\$40,000 - Homebuyer
51-80% median income	\$35,000 - Homebuyer
80-120%	\$30,000 - Homebuyer
0-80% median income	\$49,000 – Rehabilitation \$20,000 – Minor Repairs \$150,000 - Replacement

** The median family income is based on census data on family incomes updated using a combination of bureau of labor statistic earnings and employment data, Census P-60*

median family income data, and Census American Community Survey data on changes of state median family incomes.

The following requirements are placed upon the determination of Maximum Assistance:

- The level of award is supported by the average age of the City's current housing stock, increase in construction materials, and the increase in replacement costs.

Upon completion of the work specifications by Program staff, the Owner will review the proposed work specifications and consent to the specifications in writing. Any issues relating to the proposed work will be resolved before proceeding to Contractor procurement.

If a property is determined to require rehabilitation in excess of the funds available through the Program, the owner will be notified. The owner will be provided the opportunity to secure private financing for necessary rehabilitation/replacement whose cost is in excess of available funds. If additional funding is not identified, the property will be assisted to the extent possible with the available financial resources or in the case of rehab put on a replacement waiting list until funds are available.

Occupancy and special needs of replacement units:

1. All persons living in the household at the time of application shall be included when computing family size and income.
2. Occupancy standards shall be consistent with the Florida Building Code approved by the Cocoa City Council and local zoning requirements. The existing number of bedrooms shall be replaced unless determined to be inadequate for the size of the household.

Replacement Housing

The following requirements apply to units which are demolished and replaced through this Program. Replacement housing can be carried out by demolishing the existing structure and constructing a new home on the same site or by having the homeowner deed the existing property to a Community Housing Development Organization (CHDO) or a non-profit organization that owns property and is willing to, with an agreement with the City, exchange properties and construct a replacement home on a different lot within the City:

1. Unless the existing mortgage holder agrees to the demolition and replacement, the property must be free of encumbrances and mortgages.
2. \$150,000 is the maximum amount allotted per unit for replacement house, this includes construction costs and eligible non-construction costs. The eligible property owner will be required to obtain other financing (or funds) for the remainder of the cost to construct, if needed.

3. The Building Valuation Data published annually by the Florida Building Code as adjusted for the region which includes Brevard County will be utilized to determine reasonable cost of construction by the Florida Building Code plus 5%, shall serve as the maximum cost allowable under this Program for construction of the new unit.
4. Applicants may not have a vested interest in any other property, which could be used as their primary residency.

The City has the right to replace homes based on the severity of the condition of the home and the imminent danger of the structure to the people living within the unit.

Owner Contribution

If the recipient receives FEMA assistance or insurance proceeds, those funds must go towards the rehabilitation or reconstruction of their home first.

Households with more than \$4,000 in liquid assets must apply those additional assets beyond the \$4,000 towards the rehabilitation or reconstruction of their home. Liquid assets do not include retirement accounts.

Contractor Procurement

All Local, State and Federal procurement policies must be adhered to during the program's Contractor selection process. The City's local procurement policy is the Financial Operations Manual (FOM). The FOM is adhered to for all housing related procurements.

Agreement and Lien

1. Upon receipt of an approved quote or bid, the Eligible Property Owner will be requested to sign an agreement which stipulates restrictions on the transfer or resale of the property, includes the scope of work to be performed; and identifies the City as a party to the Agreement as the Owner's agent to contract for and carry out the agreed upon repairs and improvements. All Eligible Property Owners must demonstrate adequate insurance coverage, including flood insurance, if so required, for the duration of the construction period. Eligible Property Owners are counseled on the importance of maintaining coverage after construction is completed.
2. Agreements will be executed in accordance with the City's Financial Operations Manual (FOM).
3. Assistance will be provided in the form of a deferred payment loan, secured by a mortgage lien recorded against the property. The mortgage shall not incur interest, nor shall payment be required if the property continues to be used as the Principal Residence.

4. The affordability period is determined by the grant or the following (whichever is stricter):

Minor repairs less than \$20,000	5 year lien forgivable at 20 percent per year
Housing rehab \$20,001-\$49,000	10 year lien forgivable at 10 percent per year
Housing replacement	20 year lien forgivable at 5 percent per year
Homebuyer assistance	10 year lien forgivable at 10 percent per year

5. If HOME funds are used, HOME affordability rules apply over the above affordability periods. The HOME affordability period starts from the date that the activity is closed in IDIS.
6. The lien recorded against participant’s properties will specifically state that transfer of ownership “shall constitute a default and the balance of the Note unforgiven shall become due and payable in full.” In addition, the Note shall specify that “the remaining balance will accrue interest at 3% annum at the time of default. If the City does not demand payment upon default, such action does not constitute a waiver.” The mortgage amount is depreciated on an annual basis if the following conditions occur:
- a. The homeowner continues to reside in the unit in accordance with the terms of the Agreement; and
 - b. The eligible homeowner provides proof that all insurance, mortgage payments and taxes are current; and
 - c. The property is free of all code violations.
 - d. The property has not been rented out.
 - e. Deployment does not constitute a default.

On, and only on, each anniversary date of the execution of the mortgage, the value of one year’s payment will be deducted (if applicable) from the balance owed when all of these conditions are satisfied.

7. The deferred mortgage lien is recorded prior to commencement of the construction project.
8. Minor housing grants, used for handicap accessibility or retrofit improvements, may be disbursed as a grant.
9. Any post-construction agreements or warranties are between the Homeowner and the Contractor and should only be completed after all the work is completed with under the City’s Agreement.
10. Homeowner is required to pay for the cost of the satisfaction of mortgage upon expiration of the lien.

Temporary Relocation

The Uniform Act, passed by Congress in 1970, is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes. The Uniform Act's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects. In the case of minor repairs, housing rehabilitation, and homebuyer assistance, it is anticipated that temporary relocation is not necessary. Relocation assistance provided by the City to Owners, when determined to be necessary by Program staff, shall be in accordance with the URA.

- 49 CFR Part 24 is the government-wide regulation that implements the URA.
- HUD Handbook 1378 provides HUD policy and guidance on implementing the URA and 49 CFR Part 24 for HUD funded programs and projects.

Sweat Equity

In order to prevent costly delays and interruptions to the Contractor's schedule, an owner (including relatives and/or friends) may not perform work on the Eligible Property during the construction period. Should an Eligible Owner wish to perform some improvements to the Property which is outside the scope of the work write-up, those improvements must be performed prior to the Contractor solicitation, or after the job has been completed and final payment has been made.

In addition, the homeowner may not change the scope of services with a Contractor by offering to complete a certain task(s) in exchange for other work to be done. If this occurs, it will constitute a violation of the Construction Contract and could result in the Contract being terminated. In addition, any monies expended would then become the responsibility of the Contractor and/or homeowner.

Payment Procedure

1. Funds are secured by a Purchase Order prior to the start of construction, as stipulated in the agreement. Funds are disbursed in accordance with the disbursement schedule, (upon written request of the Contractor, and authorization of the Owner, Housing Program Manager and Deputy Director of Community Services Department).
2. Change orders shall be approved by the City and the property owner. The Change Order shall be added or deducted from the purchase order and all documents will be amended accordingly.
3. Upon receipt of an invoice from the Contractor, both the owner, Housing Program Manager, and the City of Cocoa Building Inspector shall inspect work for quality and completion.

4. Payment will be issued to the Contractor within 30 days for such amount as the City determines to be properly due. If payment is withheld, the City will state in writing, within 5 days, cause for withholding a payment. The City reserves the right to withhold payment for defective work and/or pay subcontractors directly.
5. The City on the basis of reasonable and verifiable evidence, may withhold from any payment, such amounts as may be necessary for protection of the Owner against loss caused by:
 - a. Defective work not remedied;
 - b. Third party claims filed;
 - c. Failure of the Contractor to make payments to Subcontractors;
 - d. Failure to pay for material, equipment or labor; and/or
 - e. Failure to perform the work in accordance with the Agreement documents or to provide a construction schedule as required by the Agreement.
6. Contractors contracted for rehabilitation/replacement work in which the City's funding commitment exceeds \$15,000 will have ten percent (10%) of their progress payment requests subject to retainage. The retainage will not be released until all work is completed, all necessary paperwork is received and the City closes out the project. If there is a dispute over quality or completion of work, the retainage shall be held until resolution occurs.
7. Final payment shall not made until the Contractor provides Release(s) of Liens, copies of permits to the Department, all inspections are completed, and copies of the Project Warranty and the Close-out form are submitted.
8. Any incidence of inadequate performance by a Contractor will be documented in accordance with City policy and procedure. Contractors may be suspended or debarred from further participation in the City's Housing Programs.

Close-Out Procedure

Assistance is completed upon final acceptance by the Owner of completed work and Program authorization for final payment.

Assisting Previously Assisted Units & Maximum Assistance Limit

Households which have previously been assisted through the City's housing programs shall be limited to receiving one additional instance of minor repairs. These repairs shall be limited to health/safety repairs whose cost shall be no more than \$20,000 if the household has no need for handicap accessibilities. If client is elderly or has need of handicap accessibilities, assistance will be up to \$49,000 for handicap accessibilities to include (but not limited to) ramps, grab bars, and walk-in showers.

Households which have previously been assisted with HOME funds may be assisted during the first year of project completion. After the first year, no additional HOME funds will be provided to a HOME-assisted project during the relevant period of affordability.

Subordination of City Liens

1. An Owner requesting a subordination of the City's lien must make this request in writing, indicating the reason for the request.
2. Only subordination requests which increase the affordability of the housing unit, or assist a household with medical expenses, not associated with consumer debt, shall be considered.
3. As indicated in Resolution 97-18, The City Manager or Designee must authorize any subordination requested. Staff will identify for the City Manager or Designee, the current status of the City's equity position and the equity position if the subordination request is approved.
4. The Owner may be charged any recording fees necessary for the subordination.

Death or Relocation of Eligible Property Owners

Upon the death or relocation of the Eligible Property Owner during the mortgage period, the mortgage balance shall become due in full. The City of Cocoa will require repayment of the mortgage balance at the time of refinancing of the property. If no refinancing of the property occurs at the time of death or relocation of the Owner, the mortgage balance shall cease to depreciate and will be frozen at the balance in place at the date of death or relocation. The lien will continue against the property until repayment is made or the lien period is concluded. At any time during the lien period, the Owner, or heir shall have the right to repay the current balance without penalty.

In cases wherein death or relocation of the Eligible Property Owner has occurred, the City will notify the owner or surviving heir(s) of the following options:

Option 1-Housing Unit Remains an Affordable Housing Unit

The City will allow the property to continue to be used as is if both of the following conditions are met:

- The individual(s) who inherits the home wishes to reside in the home as their primary (Homestead Exemption) residence; and
- The individual(s) are willing to meet all program requirements, including but not limited to, certification of their income/assets and assuming responsibility for the City's lien.

Option 1 satisfies the City's goal of promoting decent and safe affordable housing units while eliminating slum and blight. However, if the heir is unable or unwilling to meet the requirements of Option I, the City will pursue Option II.

Option 1 is not offered to owner or surviving heir(s) of a replacement home. Owners or surviving heir(s) of a replacement will be notified of Option II and Option III.

Option 2-Satisfaction of the City's Lien

The City will request that the heir satisfy the remaining balance of the lien. This will be accomplished through either of the following:

- The individual(s) who inherits the property pays the balance due; or
- The individual(s) who inherits the home obtains a new lien against the property in their name satisfying the City's lien; or
- The individual(s) who inherits the property sells the home, thereby satisfying the City's lien. The remaining proceeds from the sale of the home once the City's lien is satisfied would belong to the heir(s).

Option 2 is still in line with the City's goal of promoting decent and safe affordable housing units while eliminating slum and blight because the recaptured funds are then used to help other projects. However, if the heir is unable or unwilling to pursue either of the strategies in Option 2, the City will pursue Option 3.

Option 3-Declare the Notes in Default and Bring Foreclosure Action:

If Option 1 or 2 cannot be satisfied, the City will declare the notes in default and bring foreclosure action on the property. Option III is still in line with the City's goal of promoting decent and safe affordable housing because the home will then be used to provide housing to another qualified applicant.

Appeals

Any Applicant or client wishing to make a complaint or appeal a decision made by the Program shall be given a copy of the City Approved Appeal Procedure.

Follow-up

Periodic follow-up contacts with the property owner(s) at 30 day, 60 day and 12 month intervals are scheduled by the Program Staff to ensure compliance with program guidelines and ascertain additional counseling needs. In addition, on an annual basis City staff will request updated copies of the homeowner's insurance, taxes and mortgage (if applicable) statements to ensure that they are current.

IV. Purchase Assistance Program Policy

Purpose

The purpose of this document is to establish the policies of the City of Cocoa's Purchase Assistance Program (PAP) so as to promote fairness and equitable treatment of applicants and recipients of program assistance. The scope of the program is to provide purchase, closing costs, and rehabilitation assistance to very low-, low- and moderate-income buyers purchasing housing units in the City limits of Cocoa. Policies are written in accordance with the enabling legislation and implementing regulations of

the State Housing Initiatives Partnership Program (SHIP), administered by the Florida Housing Finance Corporation (FHFC) and the HOME Investment Partnership Program (HOME), a housing grant of the U.S. Department of Housing and Urban Development (HUD).

Program Goals

In accordance with the needs identified, the priorities established, and the objectives and strategies outlined in the City's Consolidated Plan, annual Action Plan, SHIP Local Housing Assistance Plan, and the Housing Element of the City's Comprehensive Plan, and in accordance with the 2013 HOME Final Rule, the goals of the Purchase Assistance Program are:

- the provision of affordable housing to low income households; and
- the preservation of existing housing stock.

References

- Section 420.907 et. seq. Florida Statutes, *State Housing Initiatives Partnership Act*.
- Administrative Rule of the Florida Housing Finance Corporation, 67-37 et. seq., *State Housing Initiatives Partnership Program*.
- 24 CFR Part 92, 2013 HOME Final Rule, *US Department of Housing and Urban Development*.

Definitions

Affordable means that monthly mortgage payments including taxes and insurance do not exceed 30% of that amount which represents the percentage of the median annual gross income for the household's income group (e.g. very low- or low-income group). It is not the intent to limit an individual household's ability to devote more than 30% of its income for housing, and housing for which a household devotes more than 30% of its income shall be deemed affordable if the first institutional mortgage lender is satisfied that the household can afford mortgage payments in excess of the 30% benchmark.

Applicant means a person or household who submits a signed and completed Purchase Assistance Program application for assistance.

CDBG means Community Development Block Grant.

Department means the Housing and Community Services Department of the City of Cocoa.

FHFC means the Florida Housing Finance Corporation.

General Property Improvements mean those improvements which are not corrections of health and safety violations, but which place the unit in a readily maintainable condition and conform it to other standard units in the local housing market.

HOME means HOME Investment Partnership Program.

Homeownership defined in §92.2 and is revised to clarify that, contract for deed, installment contracts and land sales contracts are specifically excluded.

Low-income means that the household income is 51% to 80% of the median income adjusted for family size for the Melbourne-Titusville-Palm Bay (Brevard) MSA.

Melbourne-Titusville-Palm Bay (Brevard) MSA means the Metropolitan Statistical Area used for demographic data purposes.

Moderate-income means that the household income is 81% to 120% of the median income adjusted for family size for the Melbourne-Titusville-Palm Bay (Brevard) MSA.

Principal Residence means the household must utilize the property as their primary residence, as established by eligibility for the State Department of Revenue Property Tax Homestead Exemption.

Rehabilitation means repairs or improvements that are needed for safe or sanitary habitation, correction of substantial code-violations, or the creation of additional living space in accordance with the Florida Building Code.

SHIP means the State Housing Initiatives Partnership Program.

Very low-income means that the household income is below or equal to 50% of the median income adjusted for family size for the Melbourne-Titusville-Palm Bay (Brevard) MSA.

Eligibility

Household Eligibility

1. The applicant's household income may not exceed 120% and 80% of the median income adjusted for family size for the Melbourne-Titusville-Palm Bay (Brevard) MSA as determined annually by HUD when using SHIP and HOME or CDBG funds respectively.
2. Households with more than \$4,000 in liquid assets within a savings or checking account must use the difference towards the purchase of the home.
3. The applicant and/or co applicant must have received City-approved homebuyer education and one-on-one housing counseling.
4. The applicant must be able to obtain to obtain a 30 year first mortgage through a non-predatory lending institution.

5. The applicant must be able to provide proof of responsible lending and sustainable (e.g., no predatory loans) in accordance with §92.254(f).

Unit Eligibility

1. The unit must be located in the city limits of Cocoa.
2. The purchase price of the unit may not exceed 90% and 95% of the median area purchase price for existing homes or new construction in the Melbourne-Titusville-Palm Bay (Brevard) MSA as established by the United States Department of Treasury when using SHIP or HOME funds respectively.
3. The assistance may not be used to purchase a mobile or modular home.
4. Existing units may have a swimming pool or similar amenity.
5. Reasonable closing fees may be charged. However, all fees shall be reviewed by the Housing Program Manager and approved.
6. Eligible forms of homeownership when using HOME funds:
 - a. Fee simple title in a 1- to 4- unit dwelling or condominium unit or at least a 99-year leasehold interest, except:
 - i. Housing located in insular areas must have a ground lease for at least 40 years
 - ii. Housing located on an Indian trust or restricted Indian land, for at least 50 years
 - iii. Housing located on land owned by a community land trust, for at least 50 years
 - iv. Manufactured housing on a ground lease that is at least equal to the applicable affordability period §92.251(e).

Levels of Assistance

The actual assistance will be the *minimum* amount needed to get the applicant into an affordable unit.

1. The maximum assistance for households with incomes at or below 50% of the median is \$40,000.
2. The maximum assistance for households with incomes at 51% - 80% of median is \$35,000.
3. The maximum assistance for households with incomes at 80% - 120% of median is \$30,000.
4. When used to purchase an existing home requiring rehabilitation, \$5,000 is available for any combination of down payment, closing costs and rehabilitation. Rehabilitation shall be completed in accordance with Florida Building Code. Any rehab completed shall have a minimum useful life of at least five (5) years for major systems. Work write-ups and written cost estimates shall be reviewed and approved by the City. The City shall determine if the costs are reasonable, and plans and specifications are in compliance with the City's written standards.

In order to prevent over subsidization of the homeowner or the excessive closing costs charged by the lender, the City reserves the right to refuse assistance. In such cases, the homebuyer will be asked to renegotiate the loan or to seek another lender.

Other Loan Terms

The assistance will be in the form of a deferred payment loan, secured by a zero percent (0%) interest mortgage in favor of the City of Cocoa and forgiven at the end of the term. In addition to the affordability period, the following terms will apply to each loan:

Death of the mortgagor: The passing of title due to the death of the mortgagor to other than a spouse or co-mortgagor holding an interest in the property as a co-tenant is deemed a conveyance.

Leasing: Leasing the premises for any period of time is deemed a conveyance.

Continued Occupancy: The mortgagor must reside in the assisted property as his/her principal residence for the life of the loan. If for any reason, other than a hospital or nursing home stay, the mortgagor vacates the premises for more than a period of 120 days in any one calendar year, such vacation shall constitute default.

Interest: There is zero interest on the loan except in the case of default, at which time the remaining balance shall accrue interest at five percent (5%) per annum.

Maintenance: The mortgagor must keep the property maintained and in good repair according to the Florida Building Code and all applicable codes of the City of Cocoa.

The homeowner will be required to pay for the cost of the satisfaction of mortgage upon expiration of the lien term.

Subordination of Liens

Subordination of liens will be considered for the following reasons only:

- Only subordination request which increase the affordability of the housing unit, decreases the term of the loan, provides a lower interest rate or not associated with consumer debt.
- Each request shall be reviewed on a case by case basis. The Housing and Neighborhood Services Manager has the right to deny or agree to subordination.

Affirmative Marketing

It shall be the policy of the City of Cocoa to affirmatively market the Purchase Assistance Program in such a way as to promote fair housing in accordance with the

applicable marketing requirements of the SHIP Program regulations and the HOME rules. The City adheres to the Brevard County Affirmative Marketing Policy.

Selection Criteria

All assistance is subject to the availability of funds. Assistance will be on a first come, first ready basis.

Applicants cannot have owned a home within three (3) years of closing and any net proceeds from the sale of a previous home should be applied to the purchase of the new home prior to receiving down payment assistance.

Applicants that have previously received state or federal down payment assistance are not eligible for assistance for six (6) months.

Owner Contribution

The applicant must make a minimum cash contribution towards the purchase of the home.

- Households with incomes at or below 50% of the median must contribute a minimum \$500.
- Households with incomes at 51-80% of median must contribute a minimum of \$750.
- Households with incomes at 81-120% of median must contribute a minimum of \$1,000.
- Households with more than \$4,000 in liquid assets in a savings or checking account must apply those additional assets beyond the \$4,000 towards the purchase of their home.

Notification of Award

An award letter, also called a letter of commitment, will be issued within 30 days after the income has been certified. The award letter will be good up-to six months. Clients may be subject to a re-certification if more than 120 days have lapsed and the client has not received assistance. This will be determined on a case by case basis.

Purchase Assistance Program

In the event that the City shall desire to have a sub-recipient/non-profit administer the Purchase Assistance Program, the selection process shall be done according to the City's Financial Operations Manual as it relates to procurement. The sub-recipient/non-profit will administer the program based on the City of Cocoa's Housing Policies and Procedures.

Housing Counseling/Homebuyer Education

The Housing Counseling/Homebuyer Education Program shall at all times be administered as follows:

1. Description of Work To Be Performed

The Housing Counseling/Homebuyer Education Program shall be implemented as a turnkey operation. The agency administering the program shall market the program, schedule and make all arrangements (sites, speakers, materials, etc.) for homebuyer education classes, and provide housing counseling on an individual basis to each homebuyer. The agency must also provide proof of attendance by homebuyers.

2. Levels of Accomplishment

a. Activity #1 Housing Counseling to individual homebuyers. Performance standards by which success will be measured include, but are not limited to, the following:

- i. Keeping of accurate time sheet records of housing counseling staff, demonstrating actual time spent on housing counseling activities;
- ii. Housing counseling must be carried out by a certified housing counselor (as defined by the National Federation of Housing Counselors, or its equivalent);
- iii. File evidence of housing counseling notes.
- iv. Housing counseling shall be provided in accordance with §92.254(a)(3) when using HOME funds.

b. Activity #2 Homebuyer Education Classes. Performance standards by which success will be measured include, but are not limited to, the following:

- i. Classes must follow, at a minimum, the Fannie Mae recommended homebuyer education course outline.
- ii. Classes must include a Fair Housing Law education component.
- iii. File evidence of classes, including, but not limited to copies of agendas, sign-in sheets, and class evaluations by participants.

3. Sustainable Homeownership Underwriting

The City shall have written underwriting standards that evaluate the homebuyer in accordance with §92.254(f) regarding:

- a. Housing debt and overall debt
- b. Monthly expenses of the family
- c. Assets available to acquire housing
- d. Financial resources available to sustain housing

4. Specific Home Requirements

a. HOME statute requires initial purchase price/after rehab value not to exceed 95% of area median purchase price in accordance with §92.254(s)(2)(iii).

- b. City sponsored homebuyer units which remain unsold after six (6) months after construction shall be converted to rental units, for the rental affordability period, or HOME funds must be repaid. A ratified sales contract is sufficient to demonstrate a sale. Units can become lease-purchase only if: the City has an established lease-purchase program, and an Agreement with the homebuyer is executed before the deadline.
- c. In accordance with §92.254(f) the City shall ensure that loan terms of any loans to which HOME funds are subordinated are reasonable and sustainable.
- d. If a non-governmental lender is providing both first mortgage financing and HOME assistance (as a subrecipient or contractor), the City shall verify income eligibility and inspect housing for compliance with applicable property standards.
- e. For HOME funds, lenders cannot charge fees.
- f. The City shall follow the resale and recapture requirements of §92.254(a)(5) within the Brevard County HOME Consortium Consolidated Plan and annual Action Plans. The resale provisions clearly define “fair return” and “reasonable range of low-income homebuyers.”
- g. In accordance with §92.251(c) the City shall determine assisted housing is decent, safe, sanitary and in good repair. All assisted housing shall meet the Florida Building Code and shall not contain deficiencies proscribed by HUD based on inspectable items and areas pursuant to 24 CFR 5.702 (UPCS Checklist).
- h. The City shall inspect housing and document compliance no earlier than 90 days before commitment of HOME funds.
- i. The City shall rehab housing that fails to meet these property standards or HOME funds cannot be used to acquire it, in accordance with §92.251(c).
- j. A contract for deed (also known as an installment contract or land sales contract) is not an eligible form of homeownership.

5. Complaints and Appeals

Any complaint or appeal shall be submitted by the applicant in written form within 5 business days from notification of funding recommendation for disposition by the Housing Program Manager who shall respond in writing within 5 days of receipt of same, where practicable.

The Housing Program Manager's reply shall indicate the avenue of appeal which shall be to the Deputy Community Services Director. The Deputy Community Services Director will make the final determination unless the determination warrants a legal opinion, in which case, the final determination will be made by the City Attorney.

V. Subsidy Layering Policy

Purpose

The purpose of these local guidelines is to provide guidance in evaluating projects using HOME funds in combination with other governmental assistance to ensure that no more than the necessary amount of HOME Program funds are invested in any one project to provide affordable housing.

Background

Both Section 212(f) of the Cranston-Gonzalez National Affordable Housing Act, as amended, and 24 CFR Part 91, the consolidated plan final rule, require the City of Cocoa to provide a certification with the consolidated plan. This certification asserts that prior to the commitment of funds to a project, the City will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other governmental assistance than is necessary to provide affordable housing.

Definitions

Governmental Assistance - Governmental assistance includes any loan, grant, (including Community Development Block Grant), guarantee, insurance, payment, rebate, subsidy, credit, tax benefit, or any other form of direct or indirect assistance from the Federal, State or local government for use in, or in connection with, a specific housing project.

Maximum Per Unit Subsidy Limits - The amount of HOME funds that the City may invest on a per-unit basis in affordable housing may not exceed the per unit dollar limits established under section 221(d)(3) of the National Housing Act for elevator-type projects, involving nonprofit mortgagors that apply to the area in which the housing is located. These limits are available from the Multifamily Housing Division in the HUD Field Office. If the City's per unit subsidy amount has already been increased to 210% as permitted under section 221(d)(3)(ii) of the National Housing Act, upon request to the Field Office, HUD will allow the City's per unit subsidy amount to be increased on a program-wide basis to an amount up to 240% of the original per unit limits.

As a general rule, the City will consider all the factors relevant to feasibility of a project, which may include, but are not limited to, past rates of returns (in that area for that type of project) to owners, sponsors, investors; the long-term needs of the project and its tenants; and the usual and customary fees in the development of the project. In addition, the City will also consider the population that is being served when conducting the layering review. For instance, if the targeted population is 60 percent of median income for the area, that results in one level of assistance; if the targeted population is very low-income, e.g., below 30 percent of area median income, that will result in an increased level of HOME or other assistance. If low-income housing tax credits or any HUD funding source

is used, the City will rely upon the allocating agency's evaluation to ensure that HUD subsidies are not greater than necessary to provide affordable housing.

Project Evaluation

Source/Use of Funds

The applicant should provide supporting documentation for all other costs as specified in the Sources/Uses of Funds statement. If the documentation is not adequate and does not support the costs as stated, the City will request additional documentation, a second opinion and/or reference from the appropriate source (i.e. another construction cost estimator, another architect or lawyer), or deny the project HOME funding. It should be noted that for projects with tax credits to be sold, the proceeds from the sale of these credits must be identified as a source of funding.

The Sources/Uses of Funds statement should reflect the project development budget and should list all proposed sources (both private and public) of funds and the dollar amount(s) for each respective source; and all uses of funds (including acquisition costs, rehabilitation/or construction costs, financing costs and professional fees) associated with the project.

The Sources/Uses of Funds should include the commitment letters with all terms and conditions for all mortgages, grants, subordination agreements, bridge (interim) loans and investment tax credits (historical, low-income, if applicable); and if the applicant is a partnership, a copy of the partnership agreement, which will indicate the cash contributions by the general partner(s) and/or limited partner(s).

The City shall request the following: (1) earnest money agreement, option or closing statement for land and/or building(s); (2) construction cost estimate; (3) construction contract or preliminary bid(s); (4) agreements governing the various reserves which are capitalized at closing (to verify that the reserves cannot be withdrawn later as fees or distributions); (5) appraisal (to substantiate the value of the land and the value of the property after rehabilitation or the structure being built); and (6) if low-income housing tax credits are utilized, documentation on the syndication costs (legal, accounting, tax opinion, etc.) from the organization/individual who will syndicate and sell the offering to ensure that the project can support the fees necessary to syndicate/fund the project. All assumptions in the offering should be verified in the supporting documentation.

Certification of Federal Assistance

A formal certification from the applicant(s) will be reviewed concerning the governmental assistance provided or to be provided to a project. If no such governmental assistance is to be provided at the time of the application or in the future, the applicant(s) should certify to that fact. The applicant(s) should also certify that should other governmental assistance be sought in the future, the City will be notified promptly. These assurances may take the form of a certification.

Project Development Budget

Ensure that the costs being funded by the HOME Program are eligible and HOME funds per unit do not exceed the maximum per-unit subsidy limits. Focus will be on the project's quality, and construction costs, architectural and engineering fees and consulting fees. The determination of "reasonableness" of the costs will be based on all of the following factors: (1) costs of comparable projects in the same geographical area; (2) the qualifications of the costs estimators for the various budget line items and (3) comparable costs published by recognized industry cost index services.

Rate of Return on Equity Investment

Scrutinize the proforma to ensure the cash flow projections are reasonable in light of the present economic conditions since the rate of return on the investment is partially predicated on the cash flow. All proformas should include, but are not limited to project income and expense statement, which should include achievable rent levels, market vacancies and operating expenses and also specify the consequences of tax benefits, if any, and any other assumptions used in calculating the project cash flow to determine the reasonableness of the rate of return on the equity investment. The proforma should represent, at a minimum, the term of the HOME affordability requirements, but longer if applicable (e.g., 15 years for low-income housing tax credit projects).

The project cash flow shall be defined as: the spendable cash generated annually (at the end of the yearly period) after all operating expenses and debt service payments have been deducted from the gross revenues of the property. The determination of a reasonable rate of return on the equity investment will be based on an evaluation of the individual project as it compares to market standards for similar investments. Using data contained in the project application, the City may evaluate several factors (e.g., cash on cash return, the internal rate of return, net equity) in determining a "reasonable" rate of return for the project. (See Table "2" for cash on cash illustration)

The City will not allow an excessive gain/profit to be derived from the project, in part due to the financing (low-income housing tax credits, low interest loans, grants, tax abatements, etc.), therefore, will establish specific standards for reasonable rates of return on the invested equity based on the project.

Overall Evaluation

If the City determines that the total amount of HOME assistance and other governmental assistance exceeds the amount necessary to make the project feasible due to the unreasonableness of the costs and/or the projected rate of return, the City will consider several options:

1. Reduce the amount of HOME assistance through reducing the development budget accordingly or increasing the non-public funding of the project;

2. Make other adjustments to the project, such as lower the rents to be charged, reduce the term of the loan in order to lower the rate of return; or
3. Deny HOME assistance if the applicant refuses to make reasonable adjustments or to limit its return/costs.

VI. Monitoring Policy and Procedures

Using Subrecipients, Non-Profits, For-Profits, and Community Housing Development Organizations (CHDOs) to carry out activities

Definitions and References

1. Section 420.907-9079, F.S. and Rule Chapter 67-37.019 (10), Florida Administrative Code. (State Housing Initiative Partnership Program)
2. Titles I and II of the Cranston-Gonzalez National Affordable Housing Act, Public Law 101-625, HOME Investment Partnerships Program.
3. 24 CFR Part 92, Final Rule, HOME Investment Partnerships Program.
4. 24 CFR Part 570, regulations, Community Development Block Grant Program.
5. Office of Management and Budget (OMB) issued Super Circular, December 26, 2013, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." The Super Circular supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidances); Circulars A-89, A-102, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up.
6. Subrecipient – CDBG: A public or private non-profit agency or organization receiving CDBG from a grantee or another subrecipient to undertake eligible activities.
7. Subrecipient – SHIP: The SHIP rule defines a subrecipient as any person or non-state entity. This would include any non-profit, consultant or other entity actively performing any administrative function of the program including application intake, income verification, contract oversight, counseling, etc.
8. Subrecipient – HOME: means a public agency or nonprofit organization selected by the City to administer all or a portion of the City's HOME program. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not a subrecipient. The City's selection of a subrecipient is not subject to the procurement procedures and requirements.
9. CHDO – Community Development Housing Organization – a qualified non-profit housing organization that is eligible for set-aside funds through the Home Investment Partnership Program (HOME).
10. Non-Profits – A 501(c) (3) certified organization eligible to receive grant funds.
11. For-Profits – A legally registered business eligible to receive grant funds.
12. High-Risk Subrecipient/CHDO: Subrecipients, Non-Profits, For-Profits, and CHDO's that fit one or more of the following criteria:
 - a. New to the particular funding program,

- b. Experiencing turnover in key staff positions,
 - c. Plagued by past compliance or performance problems,
 - d. Inability to expend funds in a timely manner,
 - e. Undertaking multiple formula program-funded activities for the first time, and
 - f. Not submitting timely reports.
13. Desk Review: Examination of information and materials provided to grantee by funded subrecipients, as a means to track performance and identify potential problem areas.
14. On-Site Review: A physical visit to a site or sites wherein the subrecipient administers and/or carryout programs for which it have been funded by the grantee.

Directives

The City of Cocoa's Community Services Department's Housing & Neighborhood Services Program shall be responsible for managing the day-to-day operations of the City's federal and state funded grant programs and for ensuring that the funds are used in keeping with the individual program requirements.

Selecting Subrecipients, CHDO's, Non-Profits, and For-Profits

Subrecipients, Non-profits, For-profits, and CHDO's are selected through a Request for Proposal Process (RFP) which is conducted annually, or on a project specific basis. Factors that are considered in selecting an entity to administer a grant funded activity include:

- The nature of the activity;
- The proposed plan for carrying out the activity or activities;
- The organizations capacity to fulfill the contractual obligations;
- The possibility of any conflicts of interest;
- Past performance;
- The organizations ability to meet all required state and federal regulations, laws and/or statutes;
- The organizations ability to meet the required U. S. Department of Housing and Urban Development (HUD) national objective, and;
- The organizations ability to produce beneficial measurable outcomes

Subrecipient/CHDO/Non-Profit/For-Profit Agreements

Before disbursing funds to any organization that is awarded funding, a written agreement must be executed. Written agreements are a vital tool in:

- Meeting all applicable state and federal requirements;
- Providing a tool for managing CDBG activities;

- To serve as a training tool; and
- Applicable to all administered grant programs.

The Final HOME Rule must be adhered to prior to execution of a written agreement, including but not limited to; CHDO capacity determination, market analysis, and subsidy layering.

The CDBG/HOME/SHIP regulations stipulate that certain requirements be included in all written agreements with subrecipients, non-profits, for-profits, and CHDO's: At a minimum, all agreements must include the following provisions:

1. A Statement of Work – A description of the work to be provided, including a schedule and budget. Specifically:
 - a. The purpose and nature of work to be provided, including location and days/hours of services provided.
 - b. The specific task to be performed.
 - c. The specific quantifiable level of service that will be provided for each activity (the number of people served and the number of units of service).
2. Records and reports – The specific records which must be maintained and the reporting requirements;
3. Program income – Whether program income received is to be returned to the City or retained by the entity;
4. Uniform administrative requirements - Compliance with all applicable uniform administrative requirements;
5. Other program requirements – Compliance with all applicable “other federal requirements (e.g. Davis Bacon, Lead Based Paint, etc.);
6. Suspension and termination – Conditions by which suspension or termination can occur; and
7. Reversion of assets – Upon expiration of the agreement, any CDBG funds on hand as well as any accounts receivable attributable to CDBG funds must be transferred to the grantee. The agreement must also include the requirements covering the use of real property acquired with CDBG funds.
8. Once the written agreement has been negotiated and signed by an authorized agent of the agency and an authorized City official, staff must complete the required purchase requisition for the issuance of a purchase order prior to any work commencing.

Monitoring Procedures

Objective

The primary intent of these procedures are to ensure production and accountability, compliance with applicable program requirements, federal and state regulations, and to develop standards for evaluating organizational and project performance.

These procedures are designed to create conformity and consistency in the monitoring of subrecipients receiving funding from the City of Cocoa and at a minimum will:

- Standardize procedures for reporting by funding subrecipients;
- Standardize procedures for review and monitoring;
- Set standards for how risk will be identified and addressed;
- Standardize procedures for determining the frequency of meetings, monitoring reviews and inspections;
- Set standards for pre-monitoring preparation and utilizing staff and other resources for monitoring; and
- Identify tools to be used for ease in carrying out the process.

Monitoring

Monitoring can be conducted in two ways. The first is to conduct a “desk review”. Desk reviews will be conducted at least quarterly for each subrecipient awarded funding. Staff performing desk reviews will examine progress reports, compliance records, measurable outcome achievements and financial information, to adequately assess performance and look for indicators of performance or compliance problems. Staff provides each agency with financial reimbursement and progress reporting forms. If questions or concerns arise from the review, staff will gather additional information through telephone calls or additional documents or other written materials.

The second, more intensive way the Agency will be monitored is through an on-site monitoring review. An on-site monitoring review will be conducted at a minimum of annually for all subrecipients awarded funding. The following are steps that will be taken when preparing for and conducting an on-site monitoring review:

Step 1

Preparing for the Monitoring Visit: Before the monitoring visit, staff will familiarize themselves with applicable program rules and establish a monitoring protocol. In addition the following will be reviewed prior to the visit.

- Application for funding
- Written Agreement
- Progress Reports
- Drawn-down/Reimbursement requests
- Integrated Disbursement and Information System (IDIS) reports.
- Correspondence between the Agency and the City
- Previous monitoring reviews
- Copies of financial audits

Step 2

Conducting the Monitoring Visit: The four (4) basic elements to conducting the monitoring visit are notification, entrance conference or meeting, data collection and analysis, and exit conference or meeting. These steps are defined as follows:

1. Notification: The monitoring process will always begin with staff calling the recipients to explain the purpose of the visit and to agree upon dates for the visit. A formal notification letter will follow at least two weeks before the planned visit and will include:
 - a. Confirmation of the dates for the review
 - b. Scope of the monitoring
 - c. Information needed for review during the visit
 - d. Staff needed for interviews or other assistance during the review
2. Entrance Conference: The entrance conference will be held at the beginning of the monitoring visit, usually with the executive director or other top officials of the organization, to make sure the subrecipient's have a clear understanding of the purpose, scope and schedule for the monitoring.
3. Documentation, data gathering and analysis: A clear record of all information reviewed and received during conversations with the agency should be kept. This information will be obtained utilizing the monitoring checklist. The information gathered will serve as the basis for conclusions to be included in the monitoring report and follow-up letter. The subrecipient may request identification of sources if any conclusions are disputed.
4. Exit Conference: At the end of the monitoring visit, the staff conducting the review will meet again with key agency representatives to:
 - a. Present preliminary results of the monitoring.
 - b. Provide an opportunity for the subrecipient to correct any misconceptions or misunderstandings.
 - c. Secure additional information to clarify or support their position.
 - d. If applicable, provide an opportunity for the subrecipient to report on steps the organization may already be taking to address areas of noncompliance or non-performance.

Step 3

Follow-up: At the end of the process, staff will provide the subrecipient with formal written notification of the results of the monitoring review. This letter will both recognize successes and identify and concerns or findings. In addition, the letter will set deadlines for a written response and corrective actions on any concerns or findings.

Financial Performance Monitoring

During site visits staff will monitor the subrecipient's financial management system to ensure:

- Funds are being efficiently and accurately controlled.
- Subrecipients are maintaining an accounting system in which transactions are handled, records are kept, and records are generated in a manner that contents of the financial reports are traceable to the original supporting documentation of all financial transactions.

Staff will ensure that the following elements are present in all financial management systems of subrecipients awarded funding.

1. Accurate, current and complete disclosure of the financial results of each federally sponsored program, including scores and application of funds.
2. Effective control over and accountability for all funds, property, and other assets.
3. Comparison of outlays with budgeted amounts for each award.
4. Sound internal controls over purchases, cash disbursements, and cash receipts, including segregation of duties and proper authorization and approvals of transactions.
5. Periodic internal and external audits or evaluations (annual audits for all subrecipients receiving \$700,000 or more in federal or state funds).
6. Record retention policies.
7. Documentation of accounting policies, particularly those pertaining to cost charging, timesheet preparation, and procurement.
8. An accounting system that meets the following requirements;
 - a. Segregation of unallowable costs from allowable costs.
 - b. Segregation of direct from indirect costs.
 - c. Proper assignment and allocation of costs to functional classifications.
 - d. Matching of income applicable credits with associated expenditures.
 - e. Timely reconciliation of accounts and sub-ledgers.
 - f. Time-charging systems that allocate labor costs among program activities and comply with OMB issued Super Circular.
 - g. Consistency with accounting treatment over time and from one function or award to another.
 - h. Timely and accurate financial reporting
 - i. Maintenance of proper supporting documentation for all transactions, estimates, and calculation.

Corrective Actions

When identifying performance problems deeming corrective actions staff will utilize the following to determine the appropriate monitoring finding response. The approach to utilize will depend on the seriousness of the problem identified:

Stage 1

Low-level Intervention: At this stage, staff will do one or more of the following:

- Clearly identify problem areas and required corrective actions.
- Plan a strategy with the subrecipient that includes any training or technical assistance that may help to address identified problems.
- Require more frequent or more thorough reporting by the recipient.
- Conduct more frequent monitoring reviews.

Stage 2

Moderate-level Intervention: If low-level intervention steps do not remedy the identified problems, staff will take increasingly tougher steps, such as:

- Restrict payment request.
- Disallow certain expenses or require repayment of funding provided for certain expenses.
- Impose probationary status.

Stage 3

High-level Intervention: At this point, the City must take the most serious actions to put an end to noncompliance problems. Steps may include but are not limited to:

- Temporary suspension of the organization from participation.
- No consideration of the activity or organization for the next program year.
- Terminate the agreement.
- Require repayment of funds.
- Initiate legal action.

Technical Assistance and Training

Technical assistance and training will be provided as a means to assistance subrecipients with avoiding problems and improving performance. Technical assistance and training will be provided throughout all phases of the process to assure the greatest success of subrecipients awarded funding.

Project Monitoring

Under all Agreements, monitoring begins when activities are selected for funding or at the beginning of project development and continues through project completion.

Once construction has started a minimum of weekly site visits will be conducted accompanied by progress notes that identify and flag any pending or anticipated problems. In addition, a site visit will be conducted before processing all draw requests to ensure satisfactory completion of work.

Site visits and desk reviews will be conducted to ensure that;

- The project is meeting standards established in the written agreement
- The cost are on target;
- The number of proposed units are being produced, and;
- The quality and quantity of work is acceptable.

Contractors selected to carry out public facilities and improvement projects will submit a project schedule, projecting all major milestones.

On completed projects, a schedule will be developed to identify all required annual reviews and re-certifications.

Rental House Monitoring

For HOME assisted rental housing, all applicable HOME Rule regulations shall be followed. The financial health and physical condition of the property will be examined on an annual basis for projects with ten (10) or more units. The following reports will be examined:

- Operating budget
- Balance Sheet
- Income statement

A Certification from the property owner will be required stating that HOME-assisted housing units are suitable for occupancy and meet local property standards.

On-site inspections will be done within 12 months after project completion and then once every three (3) years during the period of affordability. During inspections the following information will be required:

- Compliance with applicable property standards requirements.
- Verification of information regarding rent and occupancy.
- Verification of information regarding leases, tenant income, rents, and utility allowances.
- Compliance with provisions of written agreements.
- Review of financial health, management capacity, and long term viability of the project.

VII. Reservation of Authority

The authority to issue and/or revise Policies is reserved by the Cocoa City Council.