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APPENDIX A
I. Program Description

A. Purpose

The Housing and Economic Recovery Act signed into law on July 30, 2008 and the "Dodd-Frank Wall Street Reform and Consumer Protection Act" signed into law on July 21, 2010 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 73, notice 194 dated October 6, 2008 and Federal Register Volume 75, notice 201 dated October 19, 2010 by:

- Addressing neighborhoods with the greatest need based on HUD data
- Purchase and rehabilitation of foreclosed properties for resale to income eligible households
- Acquisition and rehabilitation of foreclosed multifamily housing for rent to income eligible households
- Demolition of blighted properties

In order to comply with the requirements of NSP program, the City will use not less than 25% of the total NSP allocation for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50% of area median income. The City may use vacant or demolished property to meet this set aside as well.

The City plans to utilize the NSP funds for the following eligible uses and to undertake the following correlated CDBG activities on as needed basis:

1. NSP – Eligible Use (A) – Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for income eligible households.

Correlates with CDBG - Eligible Activities:
- The eligible activities listed for other NSP Eligible Uses to the extent financing mechanisms are used to carry them out.
- As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.

2. NSP – Eligible Use (B) – Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.

Correlates with CDBG – Eligible Activities:
- 24 CFR 570.201 (a) Acquisition, (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance
- 24 CFR 570.202(a) Rehabilitation

3. NSP – Eligible Use (D) – Demolish blighted structures:

Correlates with CDBG – Eligible Activities:
- 24 CFR 570.201 (d) Clearance and remediation

4. NSP – Eligible Use (E) – Redevelop demolished or vacant properties

Correlates with CDBG – Eligible Activities:
- 570.201 (a) Acquisition
- 570.201 (b) Disposition
570.201 (c) Public facilities and improvements
570.201 (e) Public services for housing counseling, but only to the extend that counseling beneficiaries is limited to prospective purchasers or tenants of the redeveloped properties;
570.201 (i) Relocation
570.201 (n) Direct Homeownership Assistance
570.202 Eligible rehabilitation and preservation activities

5. Planning Activities – 24 CFR 570.205

B. Eligible households
Low-, moderate-, and middle income-households – i.e. ≤ 120 percent of area median income.

C. Eligible properties
Properties to be acquired under this program include properties that are:

1. Abandoned: A home or residential property is abandoned if either a) mortgage, tribal leasehold, or tax payments are at least 90 days delinquent, or b) a code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies, or c) the property is subject to a court-ordered receivership or nuisance abatement related to abandonment pursuant to state or local law or otherwise meets a state definition of an abandoned home or residential property; or

2. Foreclosed: A home or residential property has been foreclosed upon if any of the following conditions apply: a) the property’s current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency, or b) the property owner is 90 days or more delinquent on tax payments, or c) under state, local, or tribal law, foreclosure proceedings have been initiated or completed, or d) foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, subrecipient, contractor, developer, or end user; or

3. Blighted Structure: For the purpose of the NSP the City will consider a blighted structure to be a structure that exhibits objectively determinable signs of deterioration sufficient to constitute a threat to the human health, safety, or welfare of the public. Cape Coral will generally consider a structure as blighted if one of the following criteria is met: The City of Cape Coral does not have a codified definition of a “blighted structure.” For the purposes of the NSP, a blighted structure echoes the criteria for slum and blight found in Florida Statutes Chapter 163.340, which outlines the following conditions:

1. Building deterioration
2. Site deterioration or site deficiencies
3. Unsanitary and unsafe conditions and incompatible uses
4. Six or more ownership parcels per block
5. Buildings greater than 40 years of age
6. Presence of closed/vacant buildings
7. Presence of vacant lots
8. Buildings in violation of property maintenance code violations
9. Presence of buildings scheduled for demolition

A blighted structure will meet one or more of the aforementioned criteria. This determination will be made in consultation with the City of Cape Coral Building Official and Code Compliance Manager; or
4. **Vacant**: The NSP program does not define the term vacant, but this manual defines a vacant property as one that has been unoccupied for at least 90 days and has no bona fide tenant with rights of occupancy.

D. **Property Selection**

Properties acquired with NSP1 and NSP3 funds must be located in the respective areas of the greatest need (see Map 1 and Map 2 below):

![Map 1. NSP1 Areas of Greatest Need](image1)
![Map 2. NSP3 Areas of Greatest Need](image2)

E. **Other federal requirements:**

1. **Affirmatively furthering fair housing**
   
The City will follow its affirmative fair housing marketing plan in implementing all activities under this program.

2. **Acquisition and relocation**
   
   All properties acquired with NSP funds will comply with the Uniform Acquisition and Real property acquisition policies Act of 1970 under 49 CFR part 24, except for modifications for the NSP program published by HUD. All transactions under the NSP program will be voluntary transactions. The seller will receive written notice that it is a voluntary transaction and the City will not exercise its power of eminent domain if negotiations between the seller and buyer fail. The seller will be advised of the fair market value of the property in writing. Any non profit or for profit contracted to carry out acquisition of property under this program will also provide proper written notices to the seller that it is a voluntary transaction and of the fair market value of the property.

3. **Section 3**
   
The City will comply with section 3 of the Housing and Urban Development Act of 1968. The City and its partner agencies reserve the right to limit participation on some homes to Section 3 contractors only.

4. **Conflict of Interest**
   
   All contractors, board members, City staff, sub recipients, and program beneficiaries must disclose all potential conflicts of interest in writing to the City staff. All conflicts of interest notices received by staff will be presented to Mayor and City 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.

F. Contract for Services:

1. Non-profit Partners
   Under the NSP Program, the City may enter into a formal agreement for services with non-profit partners. Written contracts will be executed to reflect the non-profit partners’ role (subrecipient, developer, or contractor) in accordance to NSP provisions.

   The City shall monitor non-profit partners periodically throughout the duration and upon close out of the NSP Program, as needed and in accordance with the City of Cape Coral Community Development Block Grant (CDBG) Subrecipient Monitoring Policy and Procedures and in accordance with HUD guidelines.

2. Contract for Services
   Under the NSP Program, the City may contract with non-profit or for-profit businesses or consultants for required professional services. The City will advertise for subrecipients with a Request for Proposal or Request for Qualifications dependent upon area of expertise using the City Procurement Department and policies. Developers may be chosen outside of the procurement process per NSP regulations.

II. NSP Activities

1. Acquisition 24CFR 570.201(a)

   A. Summary of Activity

      • Acquisition/Rehabilitation/Finance/Resale Homeownership
        This activity will provide funds to acquire foreclosed and abandoned single family homes and residential and blighted structures (if foreclosed or abandoned), for the purpose of rehabilitation and resale to low, moderate, and middle -income (LMMI) households. Properties will be acquired through privately negotiated purchases between a City representative and banks. All properties acquired will be utilized for the development of affordable housing to benefit LMMI households.

        The City will not take title of the acquired properties; the City’s non-profit partner will be an entity holding the title of the acquired properties.

      • Acquisition/Rehabilitation/Finance/Resale Multi-family Housing/Rental
        This activity will provide funds to acquire foreclosed, abandoned, or blighted multi-family housing or land for the purpose of rehabilitation or redevelopment and use as rental units for persons at or below 50 percent of AMI. The City will partner with local non-profit provider to implement this project. The City will not take title on the acquired multi-family properties; the City’s non-profit partner will serve as an owner, developer (if necessary) or property manager of the acquired multi-family property.

   B. Property Type
   Acquisition funding will be available for purchasing the single family residences or multi-family housing or land.

   C. Purchase Price Limit
Properties will be acquired for the purchase price that cannot exceed the amount that is one percent below the appraised value. The City’s Real Estate Division will negotiate with the seller for a purchase at the NSP required discount.

D. Method for Obtaining Listing of Foreclosed, Abandoned or Blighted Structures
The Department of Community Development staff will identify potential properties for acquisition in the target area utilizing Neighborhood Community Stabilization Trust, “first look” programs provided by the participating banks, Multiple Listing Service (MLS), and websites which list foreclosed properties such as http://www.homepath.com/ and http://www.nhmsi.com/.

E. Criteria for selecting units to be acquired
Properties located within the areas of greatest need will be given priority for acquisition based on one or more of the following factors:

- Property must be foreclosed or abandoned or vacant or blighted
- Property is not located in a flood zone
- Property is located in a proximity to public transit facilities (for multi-family/rental housing)

Properties not eligible for acquisition under this program:

- Properties that have underground pools
- Properties located on the water (i.e. canals, basins, lakes, river)
- Mobile homes or trailers

However, should properties do not meet some of the above criteria, the City of Cape Coral would consider them on a case by case base. The Department of Community Development staff will compose a list of potential properties for acquisition.

F. Inspections
All properties acquired will be required to obtain a home inspection and termite inspection to determine amount of damage to the property.

G. Code Violations and Liens
City 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 City violations or liens on the property, the City will request that violations fees be waived or paid by the seller. All violations will be corrected to ensure that all properties comply with local codes. If violations or liens are filed by organizations other than the City, including but not limited to County government or utility companies, those liens or violation fees will be paid when the property is acquired if they cannot be negotiated for release.

H. Property Appraisals
Appraisals will be conducted individually and are to be ordered once during initial purchase analysis 60 days of final offer and again upon resale. Appraisal can be paid by the City, sub recipient, developer or homebuyer. Appraiser must be Florida State Certified and licensed in good standing with the State of Florida. Appraisals must be performed in conformity with the appraisal requirements of URA at 49 CFR 24.103. City will solicit services from multiple appraisers and rotate use of services on an as needed basis using a vendor list.

I. Environmental Assessments
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. The City of Cape Coral is responsible for completing Tier 1 environmental assessments of NSP target areas and subsequent site specific checklist.
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.

**J. Historical Significance**
Prior to making an offer on the property the City staff 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 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 Board will be followed for properties that are deemed historically significant. If the property is over 50 years old, the local historic preservation program will also be checked to determine if the property is on a local register of historic places.

**K. 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.

Lead based paint will be addressed for all units constructed prior to 1978 and receiving repairs that exceed $5,000 as follows:
- All damaged paint surfaces will be repaired.
- The entire property will be evaluated by a risk assessment.
- Units assisted between $5,000 and $25,000 will have all lead hazards addressed by interim controls using lead safe work practices.
- Assistance above $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).

**L. Flood Plain**
Homebuyers/developers that purchase improved properties within the 100-year flood plain will be required to purchase and maintain flood insurance for the term of the affordability period.

**M. Title Search**
A title company will perform required title searches for NSP units.

**N. Survey**
A survey will be performed on all properties prior to purchase to determine encroachments and flood elevation.

**O. Closing**
The City will utilize a title company for services associated with all property closings unless a title search and a title insurance policy shall be issued at closing to ensure a clear title will be transferred to the buyer. The title agent will notify all parties of date and time of closing and provide a HUD 1 to all parties at least 24 hours prior to closing.

**P. Insurance**
Builders Risk Insurance will be provided by the contractor on all properties under contract for rehabilitation until Certificate of Occupancy. All properties assisted under this program will be required to purchase and maintain, for the life of the rehabilitation affordability period, property insurance including fire, casualty and flood insurance if property is located in a flood zone.

**Q. Acquisition Costs**
Eligible costs under this activity include, but are not limited to, purchase of real property, professional services, closing costs, home and termite inspections, appraisals, title insurance, site surveys, and title searches.

**R. Uniform Relocation Act (URA)**

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. Since all properties to be acquired must be vacant it is not expected that any relocation activities will be undertaken.

The City will comply with federal Recovery Act protections for bona-fide tenants of residential properties foreclosed upon on or after February 17, 2009. These requirements directly affect initial successors in interest (ISII) who take title to the property through foreclosure (including lenders and others who purchase property at foreclosure sales). If the City, or developer, or sub-recipient knows that ISII did not comply with the NSP tenant protections and vacated the property contrary to Recovery Act requirements, the transaction will be abandoned. In order to document compliance with the provisions of the Protecting Tenants at Foreclosure Act, Title VII of the Helping Families Save Their Homes Act of 2009, the City will require that the seller signs “Seller’s Occupancy Certification under the Protecting Tenants at Foreclosure Act” form. If the seller will not execute the certification form, the City staff or/and developer will assure that other due diligence is completed to determine that the property does not have a bon fide tenant.

See Appendix X for a copy of the Notice of Voluntary Acquisition that will be transmitted to the seller for each acquisition.

**2. Housing Rehabilitation 24 CFR 570.202 (a)**

**A. Summary of Activity**

This activity will provide funds to finance the rehabilitation of foreclosed and abandoned homes and residential properties or blighted structures. Residential structures will be rehabilitated unless they are declared blighted or economically infeasible to rehabilitate. All properties that are rehabilitated under this activity will be for the purpose of affordable housing to benefit eligible households for homeownership. This activity will be primarily implemented by the City’s non-profit partner.

**B. Rehabilitation Standards**

The City and the City’s non-profit partner will ensure that all properties acquired under this program for resale comply with the Minimum Housing Rehabilitation Standards. (see Appendix A - Minimum Housing Rehabilitation Standards).

Each housing structure acquired and rehabilitated with NSP funds will be inspected by the Rehabilitation Specialist to ensure that upon completion, the housing unit will meet all of the following standards:

1. Local Rehabilitation Standards
2. HUD Section 8 Housing Quality Standards (24CFR982.401)
3. Local zoning ordinances

**C. Work Write Up**

The City’s non-profit partner will prepare a detailed work write-up (specifications) that addresses all violations of health, safety, and building codes, and provides (for properties constructed before 1978) for testing and abatement/removal of lead based paint (if necessary) and identifies any other rehabilitation improvements needed to bring the unit up to NSP Rehabilitation Standards and local code requirements. The work write up will be done in accordance with the City of Cape Coral Owner Occupied Rehabilitation (OOR) Guidelines.
D. Soliciting Qualified Contractors for Contractor List
The non-profit agency implementing the rehabilitation strategy will be responsible for maintaining the qualified contractor list. Newspaper advertisements will be published at least once annually to recruit interested area contractors. 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 subrecipient will maintain the list of fifty (50) contractors and rotate this list by job. The application will be provided to any interested General Contractor and is available year round in accordance with 24 CFR 85.36 and City of Cape Coral Contractor Handbook - Owner Occupied Rehabilitation (OOR) Program.

E. Contractor Screening
Contractors will be required to submit an application which includes licensure, certifications, references and other related documents required to prequalify contractors as specified on the application checklist. An application documentation checklist is included in the City of Cape Coral Contractor Handbook - Owner Occupied Rehabilitation (OOR) Program.

Contractors who wish to participate in the rehabilitation / construction of homes must be licensed by the State of Florida, Department of Business and Professional Regulation (DBPR) and may not be debarred by HUD.

The City may disqualify any General Contractor with a known record of discriminatory employment practices or complaints filed with DBPR. Contractors will be expected to comply with applicable equal opportunity and civil rights laws and regulations. The City will encourage participation by minority contractors and women owned businesses will provide assistance to them in qualifying to perform rehabilitation work. The City will comply with federal section 3 requirements, federal labor standard provisions and Davis Bacon, and all other applicable federal requirements. The City and its partner agencies reserve the right to limit participation on some homes to Section 3 contractors only.

Contractors who are found eligible to participate will be placed on a Master Contract list.

F. Contractor Project Limits
No more than two simultaneous projects will be awarded at a given time. Award of more than two simultaneous projects will be awarded based on demonstrated company capability on a case-by-case basis.

G. Bid Process
The bid process will be administrated by the City’s non-profit partner. The detailed description of the bid process is provided in City of Cape Coral Contractor Handbook - Owner Occupied Rehabilitation (OOR) Program. In general the process will include the following steps:

1. Invitation to Bid
An Invitation to Bid letter will be sent in writing (mailed, faxed or emailed) to General Contractors who have previously qualified for inclusion on master contract list.

2. Contractor Walk-Through
A mandatory pre-bid meeting will be held at the unit prior to bid submittal. All contractors must arrive on schedule and sign in prior to the unit walk-through and discussion of specific work items. Any changes to the work write up or specifications will be faxed to each participating contractor who attended the walk-through.

3. Bid Awards
Sealed bids will be accepted from previously qualified contractors that responded to the mandatory pre-bid walk-through. Bids are to be submitted to the City’s non-profit partner prior to the deadline date and time.
Bids will be opened and reviewed by the City’s non-profit partner staff, which shall make recommendations for award. Bids will be awarded under purchasing and bidding policies established by City of Cape Coral Contractor Handbook – Owner Occupied Rehabilitation (OOR) Program.

The City’s non-profit partner will review the bids to ensure that all mandatory work is included, conforms to program specifications and the cost is reasonable for the project.

The following criteria will be used to determine the winning bid:

1. The bid is the lowest responsible bid. In cases where the lowest responsible bid is not chosen it must be documented.
2. Bid amount does not exceed 10% above or 10% below the estimated bid price as determined by the Rehabilitation Specialist.
3. Contractors that provide the lowest bid on several simultaneous projects may only be awarded one project at a time until satisfactorily completing three projects.

H. Contracts
A pre-bid meeting will be held with the contractor prior to the start of work. At that meeting the contractor will provide all color and material samples to be used for the project. Rehabilitation contracts on homes owned by the City’s non-profit partner will be executed between the General Contractor and the City’s non-profit partner.

I. Inspections
During construction, the City’s non-profit partner will periodically inspect the work to ensure compliance with all contracted work specifications, rehabilitation standards and the State Building Codes. The contractor will be responsible for arranging any required inspections.

J. Payments
All contract payments shall be made by the City’s non-profit partner directly to the General Contractor. The agency will be reimbursed for the payments. Contractor will submit required pay request forms which will require the agency’s approval prior to issuance of payment.

Rehabilitation Projects will consist of three draw payments against the total sum of the contract price. Payments will be based on the amount of work completed as described in the work write-up. The Contractor will schedule an inspection with the agency 24 hours in advance, and will inform the inspector of items he/she wishes to be inspected. Please note that all inspections required by the City of Cape Coral Building Division must be complete before each draw inspection. The final draw will be held until the punch list has been completed.

The draw schedule will be as follows:

<table>
<thead>
<tr>
<th>Draw</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Draw</td>
<td>35%</td>
</tr>
<tr>
<td>Second Draw</td>
<td>35%</td>
</tr>
<tr>
<td>Final Draw</td>
<td>30%</td>
</tr>
</tbody>
</table>

A partial release of lien will be provided for each payment received.

K. Change Orders
Changes in work that may become necessary during construction will be negotiated by the appropriate Agency’s staff and approved in accordance with City bidding/purchasing policies. The General Contractor shall make no changes in the work nor seek payment for changes or additional work without prior issuance of a written change order authorized by the City’s non-profit partner and/or the City.

L. Final Inspections/ Project Closeout
Upon completion of the work, a final inspection will be performed by the Agency’s staff to ensure that all work complies with the contract. The General Contractor shall submit a final invoice and warranty documents including a 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, City Release of Lien, Subcontractor Release of Liens and Warranty for Rehabilitation. Prior to listing the property for resale it must meet all applicable building codes. Deficiencies must be corrected prior to final payment to the contractor.

**M. Work Guarantees**
Contractors are required to guarantee all workmanship for a period of at least one year following contract close-out. In addition the contractor will provide separate warranties for other trades, such as roofing and A/C and provide applicable appliance and material manufacturer warranties.

**3. Disposition 24 CFR 570.201 (b)**

**A. Summary of Activity**
Disposition, through sale, of residential units acquired with NSP funds or reasonable costs of temporarily managing such properties. This activity will be primarily implemented by the City’s non-profit partner. All properties under this activity will be transferred for the purpose of affordable housing to benefit LMMI households. 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.

**B. Sales Price**
The sales price of each NSP unit shall be determined by adding the price paid by the City to purchase the property plus rehabilitation costs and activity delivery costs or the appraised value, whichever is less.

The City’s non-profit partner will obtain an after-construction/rehab appraisal of the property. This appraised value will be the asking price for the home unless it is higher than the estimated total development cost of the home, in which case the price will be the same amount as the total development cost. Total development cost includes all acquisition, rehabilitation/construction and soft costs including the developer fee and any costs related to the sale of the property and closing costs. The costs of boarding up, lawn mowing, insurance or simply maintaining the property in a static condition may not be included in the determination of the sales price.

**C. NSP Development Subsidy When Investment Exceeds Market Value**
When development costs exceed market value, the portion of NSP funds advanced to the project that are above the market value become a development subsidy to the project. Neither the City’s non-profit partner, nor the homebuyer is required to repay NSP funds used for an approved development subsidy. (However, the homebuyer will be subject to recapture provisions for the amount of any Homeowner Financial Assistance which subsidizes the contract price of the home and potentially closing costs as well.

**D. Adjustments in Asking Price**
If no qualified offer is received within 60 days of first marketing a home, the City’s non-profit partner may reduce the asking price by 5%. If no qualified offer is received after final completion followed by 60 days of best efforts in marketing a home, the City’s non-profit partner may reduce the original asking price by up to 10% including previous adjustments, if any. The City's non-partner may make additional price reductions only with the written approval of the City of Cape Coral and only after making diligent and continuous efforts to market and sell a home.
If the price of a home has been reduced due to a lack of qualified offers after adequate marketing and sales efforts over a reasonable period of time (as described above), the reduced selling price will be considered market value for purposes of calculating the development subsidy.

E. Marketing

The City’s non-profit partner is fully responsible for marketing NSP homes and selling them to qualified buyers. If an NSP home does not sell in a timely manner and this results in cost overruns that cannot be paid out of contingency funds, the City’s non-profit partner will be responsible for paying the additional costs unless, at the sole discretion of the City, the project budget is revised to provide additional NSP funding.

F. Client Requirements

Income Limits. In order to receive assistance through the NSP Program, clients must meet federal income eligibility limits. These limits are based on the income/assets of all residents in the household and adjusted on an annual basis. Households earning less than 120% of the area median household income shall be eligible for this program. Eligible applicants will be selected on a first come, first qualified, first served basis subject to funding availability.

Foreclosure Status. Clients receiving NSP Assistance may not have had foreclosure action within the past three (3) years. Three years is from the date of the judgment of the foreclosure. If clients have had a foreclosure action in the past five (5) years they must be able to demonstrate the ability to maintain payments of the new mortgage. Foreclosure status is considered despite bankruptcy discharge. This criterion includes all members of the household. For example, if a spouse had a property in their own name and the property is foreclosed on, they must still wait the three years from judgment. Deed in lieu of foreclosure is considered the same as foreclosure for purpose of eligibility for the program.

Prior assistance from the City of Cape Coral. Applicants requesting assistance from the City of Cape who have previously received assistance from the City’s grant programs and have been foreclosed upon will not be eligible for assistance. Applicants who have previously received assistance from the City’s grant programs and satisfied their mortgages must wait ten (10) years from the date of the satisfaction of mortgage. This is not applicable to persons assisted under the owner-occupied rehabilitation program.

Counseling Requirements. Homebuyers purchasing NSP assisted housing must complete 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 6 months prior to closing by presenting a Certificate of Completion which shall be maintained in client file. Homeowners will choose their counselor from the list of a HUD approved agencies.

Credit Requirements. The City does not establish a minimum credit score requirement; however, clients’ credit must enable them to secure conventional financing from the lenders that meet the City's Lender Guidelines (Appendix B).

US Citizenship Status. All clients must have a valid social security number. All borrowers must demonstrate 2 years of employment history. Permanent Resident Aliens must have evidence of lawful, permanent residency issued by the Bureau of Citizenship and Immigration Services (BCIS), formerly the INS and a copy of the Alien Registration Receipt Card (Resident Alien card), I-551. Non-Permanent Resident Aliens must meet the following requirements: the property must be the Primary residence, the borrower must be eligible to work in the U.S, evidence of valid Social Security number and residency and work status to be obtained through documentation from US Bureau of Citizenship and Immigration Services (BCIS) formerly INS must be provided, a copy of the
Employment Authorization Card, I-688B must also be provided. This card carries an expiration date. Please be advised, a social security card alone is not acceptable as evidence of work status.

G. Application for NSP Assistance
Before a prospective buyer executes a sales agreement for an NSP-assisted property, the buyer must complete the Application for NSP Assistance. The information obtained in the application will be used – along with verifications – to determine a buyer’s eligibility to purchase an NSP home and to receive NSP Homeowner Financial Assistance. While the application forms may be filled out in advance by Applicants, the application will be completed in a face-to-face meeting with qualified representative of the City’s non-profit partner. During this intake interview, the client will also be provided with an explanation on how to register for the required Home Buyer Education Class.

H. Income Verification
Verification of income for all household members must be used to determine client eligibility. Documents submitted by the applicant for all household members include but are not limited: pay stubs, social security/disability income information, retirement income, pensions, child support/alimony income information, business income and tax returns. The City’s non-profit partner will follow the HUD guidelines for determining household size and income eligibility (24 CFR Part 5) for the household and will issue an income certification when the client is determined eligible.

All assets will be verified for all household members in accordance with HUD guidelines. 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.

The income certification may be no more than six months old at the time that the buyer and the City’s non-profit partner enter into a purchase agreement. (See Appendix C – Income Qualification Process).

I. Qualifying Potential Homebuyer

1. Loan Requirements
Homebuyers must be prepared to purchase a home in a designated target area and obtain a conventional, FHA, VA, 30 or 15 year, fixed rate mortgage. Sub prime mortgages and adjustable rate mortgages are not allowed. (See Appendix B for the City of Cape Coral Lender Guidelines).

The first mortgage lender will determine what subsidy is needed for the household to make the monthly payment affordable. However, maximum debt ratios will be as follows: 33% front end (recommended); front end ratio will be considered up to 36% on case-to-case basis; front end ratio that are less than 20% will be considered on case-to-case basis; back end ratios cannot be more than 45%.

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. Homeowner Financial Assistance will be in the form of second mortgage deferred payment loan at zero percent interest. The second mortgage deferred payment 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.

For homebuyers assistance programs, liens shall be filed that mirror the affordability guidelines as defined by HOME affordability requirements (see table 1 below)
2. Homebuyer Maximum Assistance

Clients will be responsible for obtaining the first mortgage from a financial institution in accordance with the City of Cape Coral Lender Guidelines (Appendix B) at the maximum they can receive without NSP program assistance. The NSP housing assistance will be used to bridge the gap between the amount of the client’s first mortgage and the sales price of the property. The amount of the housing assistance that is provided to the clients will depend on their income category and it will be as follows:

- **Low Income Category:** 12.5% to 50% of Sales Price*
- **Moderate Income Category:** 10% to 40% of Sales Price*
- **Middle Income Category:** 7.5% to 30% of Sales Price*
- *plus reasonable closing costs

In case when NSP subsidy is layered with other housing assistance funds, the NSP lien will be a second lien on the property unless otherwise decided by the City’s NSP administrator. The City’s intention to be a secondary lien holder on the properties purchased using NSP funds is due to the amount of investment the City has in NSP homes.

Client’s contribution towards the purchase of NSP assisted home will be $2,000. The client contribution must be documented and can be used to pay for appraisal, home inspection, survey, or closing costs.

The City of Cape Coral reserves the right to set minimum first mortgage amounts for participation in the City’s NSP program.

J. Notification of Approval or Denial

The City’s non-profit partner staff will issue an approval letter informing buyers in writing of their eligibility or ineligibility for NSP assistance, conditional upon completion of home buyer education course, signing a purchase agreement for an NSP home, obtaining first mortgage financing, and providing the required minimum down payment amount. The final approval letter will also include information on how much a buyer is qualified to purchase in terms of price and the amount of financial assistance a buyer may receive through the NSP program.

K. Waiting List Procedures

Clients are served on a first come, first ready basis. This means that priority for selecting an NSP home will be determined by the date when the Agency issued the final approval letter. NSP home will be only offered to a client if the prices are affordable to the buyer as determined by the program underwriting analysis. Each client
will have three opportunities to reject a home offered and maintain his or her priority. After a third rejection, a client’s priority will fall to the bottom of the waiting list.

L. Executing a Sales Agreement
Prior to executing a sales agreement, the City’s non-profit staff will provide the NSP buyer with the explanation of the terms of NSP housing assistance and obligations for repayment of NSP subsidy (NSP Addendum to the NSP Sales Contract). The Agency will retain a closing agent to process the transaction. The City’s non-profit partner will have the final responsibility for review of closing documents to ensure compliance with the City of Cape Coral NSP Program Requirements.

M. Originating the Subsidy Recapture Lien Documents
The amount of Homeowner Financial Assistance provided to a client will be secured by a promissory note and mortgage with the City of Cape Coral named as lien holders at 0% interest. All payments of principal will be deferred until buyer sells the home, transfers it, or violates the terms of the lien. The City’s non-profit partner will prepare a promissory note, mortgage deed (or deed of trust), and accompanying disclosure statement allowing the City staff sufficient time to review these documents. The City non-profit partner will use forms approved by the City. The City will review and approve the language and numbers inserted in the forms.

N. Environmental Review
Disposition is categorically excluded subject to Sec. 58.5. The City of Cape Coral staff will conduct a review of the initial environmental review to ensure that the conditions on the property remained unchanged due to the transfer of real property.

O. Disposition Costs
Eligible costs under this activity include but are not limited to printing of marketing materials associated with resale of the unit, sellers closing costs, appraisal, and commission to a licensed third-party real estate broker. Developer may earn an additional fee (6% of the sale price) if Developer sells the home without a broker’s assistance.

P. Program Income and/or Revenue
Upon sale of an NSP-funded, single family home, Developer will transmit the net proceeds of sale to the City of Cape Coral. Net proceeds of sale are defined as follows:

1. The sale price of the home;
2. (Minus) the amount of Homeowner Financial Assistance provided to buyer, as defined herein and described on the settlement statement.
3. (Minus) Developer costs of sale as documented by the settlement statement, including but not limited to real estate broker fees and seller-paid closing costs.

In case when an affiliate of Habitat for Humanity, designated as a developer, sells NSP assisted property, the net proceeds of sale will NOT be returned to the City of Cape Coral.

4. Purchase Assistance (Financing) 24 CFR 570.201(n)

A. Summary of Activity
Foreclosed and abandoned homes and residential properties and blighted structures that have been foreclosed shall be available for purchase by households at or below 120% AMI as defined by the current Income Limits chart adjusted to family size as published annually by HUD for the City. This activity will provide funds to establish financing mechanisms to support LMMI households in purchasing NSP properties. Any
household/applicant who has qualified to purchase an NSP property may also qualify for housing finance mechanisms in the form of purchase assistance.

**B. Client Requirements**

**Income Limits.** In order to receive assistance through the NSP Purchase Assistance Program, an applicant must meet federal income eligibility limits. These limits are based on the income of all residents in the household and adjusted on an annual basis. Households earning less than 120% of the area median household income shall be eligible for this program. Eligible applicants will be selected on a first come, first qualified, first served basis subject to funding availability.

**Foreclosure Status.** Clients receiving NSP Assistance may not have had foreclosure action within the past three (3) years. Three years is from the date of the judgment of the foreclosure. If clients have had a foreclosure action in the past five (5) years they must be able to demonstrate the ability to maintain payments of the new mortgage. Foreclosure status is considered despite bankruptcy discharge. This criterion includes all members of the household. For example, if a spouse had a property in their own name and the property is foreclosed on, they must still wait the three years from judgment. Deed in lieu of foreclosure is considered the same as foreclosure for purpose of eligibility for the program.

**Prior assistance from the City of Cape Coral.** Applicants requesting assistance from the City of Cape who have previously received assistance from the City’s grant programs and have been foreclosed upon will not be eligible for assistance. Applicants who have previously received assistance from the City’s grant programs and satisfied their mortgages must wait ten (10) years from the date of the satisfaction of mortgage. This is not applicable to persons assisted under the owner-occupied rehabilitation program.

The City of Cape Coral reserves the right to set minimum first mortgage amounts for participation in the City’s NSP program.

**Homebuyer Education.** Applicant must have completed an 8-hour HUD approved Homebuyer Education class prior to purchasing an NSP property or benefiting from this program.

**Credit Requirements.** The City does not establish a minimum credit score requirement; however, clients’ credit must enable them to secure conventional financing from the lenders that meet the City’s Lender Guidelines (Appendix B).

**US Citizenship Status.** All clients must have a valid social security number. All borrowers must demonstrate 2 years of employment history. Permanent Resident Aliens must have evidence of lawful, permanent residency issued by the Bureau of Citizenship and Immigration Services (BCIS), formerly the INS and a copy of the Alien Registration Receipt Card (Resident Alien card), I-551. Non-Permanent Resident Aliens must meet the following requirements: the property must be the Primary residence, the borrower must be eligible to work in the U.S, evidence of valid Social Security number and residency and work status to be obtained through documentation from US Bureau of Citizenship and Immigration Services (BCIS) formerly INS must be provided, a copy of the Employment Authorization Card, I-688B must also be provided. This card carries an expiration date. Please be advised, a social security card alone is not acceptable as evidence of work status.

**C. Property Selection Criteria**

1. Property must be foreclosed or vacant or abandoned

2. Property must be in “move-in” ready condition
3. Property must meet Minimum Housing Quality Standards

4. Properties located on the water (i.e. canals, basins, lakes, river) are eligible for this activity

5. Properties that have underground pools are eligible for this activity.

D. Advertising - Marketing
The City’s non-profit partner plans to advertise the NSP home purchase assistance program in both English and Spanish to low, moderate, and middle income households through media such as newspapers, the City of Cape Coral web site, and the agency’s website. Local lenders may also help market the program to eligible homebuyers and information can be made available to schools, local police, fire district and sheriffs offices.

E. Application Process
The City’s non-profit partner is responsible for handling the application process for this activity, applicants will be provided with an application form that includes the list of documents that must submitted to determine client eligibility.

The list includes but is not limited to:
- a social security card for all household members
- proof of legal status for all household members
- supporting documentation of income and assets for all household members.

F. Income Verification
Verification of income for all household members must be used to determine client eligibility. Documents submitted by the applicant for all household members include but are not limited: pay stubs, social security/disability income information, retirement income, pensions, child support/alimony income information, business income and tax returns. The City’s non-profit partner will follow the HUD guidelines for determining household size and income eligibility (24 CFR Part 5) for the household and will issue an income certification when the client is determined eligible.

All assets will be verified for all household members in accordance with HUD guidelines. 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.

The income certification is valid for six months. (See Appendix C – Income Qualification Process).

G. Notification of Approval or Denial
The City’s non-profit partner staff will issue an approval letter informing buyers in writing of their eligibility or ineligibility for NSP assistance, conditional upon completion of home buyer education course, signing a purchase agreement for an NSP home, obtaining first mortgage financing, and providing the required minimum down payment amount. The final approval letter will also include information on how much a buyer is qualified to purchase in terms of price and the amount of financial assistance a buyer may receive through the NSP program.

H. Financing
Clients are eligible to receive twenty (20) percent of the contract price for purchase assistance. This assistance remove the requirement for private mortgage insurance (PMI) and thus affect affordability. Additionally, in homes that do not have appliances, the homeowners will be eligible to receive an energy star appliance package (maximum value not to exceed $2,000) to include washer, dryer, refrigerator, dishwasher, and stove.
Assistance will be provided to eligible households in the form of a deferred payment loan at zero percent interest. All loan awards will be secured with a second mortgage/promissory note. The first mortgage must meet the City of Cape Coral Lender Guidelines (see Appendix B).

For NSP Purchase Assistance strategy, liens shall be filed that mirror the affordability guidelines as defined by HOME affordability requirements (see table 2 below)

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>AVERAGE PER-UNIT HOME</th>
<th>MINIMUM AFFORDABILITY PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSP Purchase</td>
<td>&lt;$15,000</td>
<td>5 years</td>
</tr>
<tr>
<td>Assistance</td>
<td>15,000- $40,000</td>
<td>10 years</td>
</tr>
<tr>
<td></td>
<td>&gt;$40,000</td>
<td>15 years</td>
</tr>
</tbody>
</table>

Table 2.

In case when NSP subsidy is layered with other housing assistance funds, the NSP lien will be a second lien on the property unless otherwise decided by the City’s NSP administrator. The City’s intention to be a secondary lien holder on the properties purchased using NSP funds is due to the amount of investment the City has in NSP homes.

Client’s contribution towards the purchase of NSP assisted home will be $2,000. The client contribution must be documented and can be used to pay for appraisal, home inspection, survey, or closing costs.

I. Recapture

Repayment of the loan award will be immediately due to the City in the event any of the following events occur prior to expiration of the note:
- Sale of unit
- Title transfer
- Unit is no longer continuously occupied by purchaser
- Unit is rented
- Unit is refinanced without prior authorization of the City.

Such repaid funds will be program income and will be used by the City to assist another client under the terms of the NSP program. If assisted homeowner does not trigger any of the above mentioned qualifying events the loan will be released in accordance to the affordability period requirements (see above - Table 1).

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 City’s subordination policy. This policy is provided to potential homeowners prior to purchase. (see Appendix D – City of Cape Coral Loan Subordination Policy).

J. Affordability

The first mortgage lender will determine what subsidy is needed for the household to make the monthly payment affordable. However, maximum debt ratios will be as follows: 33% front end (recommended); front end ratio will be considered up to 36% on case-to-case basis; front end ratio that are less than 20% will be considered on case-to-case basis; back end ratios cannot be more than 45%.

K. Sale to Homebuyer

Approved and qualified homebuyers will be assisted on first come, first ready basis. Qualified buyers are those who have been approved by the first mortgage lender, have completed their eight hour counseling class as evidenced be a certificate, have executed a purchase contract for an NSP eligible property, and have been
income qualified by City’s non-profit partner. If required, the City’s non-profit partner will allow the first mortgage lender will choose the title company that will do the closing on behalf of both the bank and the agency.

L. Environmental Review
All properties to be acquired through Purchase Assistance strategy will be subject to an environmental review in accordance with 24 CFR part 58 prior to a request of release of funds from HUD. The City of Cape Coral is responsible for completing Tier 1 environmental assessments of NSP target areas and subsequent site specific checklist. 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.

5. Demolition of Blighted Structures 24 CFR 570.201(d)

A. Summary of Activity
The City will identify foreclosed and abandoned homes and residential properties that are blighted structures in the NSP Special Areas of Greatest Need. All properties will be inspected by the City inspector to ensure that they meet the definition of blighted and are therefore eligible for demolition.

The City will consider the suitability of each parcel for long term affordable housing by reviewing:

1. Environmental conditions
2. Available infrastructure
3. Access by public roads
4. Zoning and Land use classifications
5. Proximity to transportation, services and employment centers
6. Size and dimensions characteristics with consideration for assemblage

The City’s non profit partner will be responsible for demolition and clearance of blighted structures and redevelopment of vacant land. Land can be banked for up to ten (10) years before housing is developed for persons at or below 120 percents of AMI.

B. Property Type
Any property that meets the federal definition of foreclosed or abandoned or blighted as stated in this document will be considered for demolition.

C. Code Violations and Liens
Any liens filed by the city will be waived. Any liens filed by the county, utility companies or other non city agency will be paid when the property is acquired if they cannot be negotiated for release.

D. Appraisals
Appraiser must be Florida State Certified and licensed in good standing with the State of Florida. Appraisals must be performed in conformity with the appraisal requirements of URA at 49 CFR 24.103. City will solicit services from multiple appraisers and rotate use of services on an as needed basis using a vendor list.

E. Environmental Assessments
The City will ensure compliance with the environmental requirements at 24 CFR Part 58. For properties that are categorically excluded the City will prepare the statutory checklist as required by HUD. Priority will be given to properties that are not in flood zones and have no historical significance.
6. Redevelopment 24 CFR 570.201 (a-n) NSP Eligible Use E

A. Summary of Activity
This activity will be coupled with the acquisition strategy for foreclosed or vacant multi-family land only (Activity 1). The City will partner with local non-profit provider to implement this project. The City will not take title on the acquired multi-family land or the subsequent units; the City’s non-profit developer will serve as the owner, developer and property manager for the final product.

B. Documentation
The non-profit developer shall provide a detailed cost estimate of the proposed costs of the development of the site for obligation purposes. The developer shall also provide proof of site control of the foreclosed or vacant or abandoned property. At the time of development the construction documents shall be provided by the developer including but not limited to: contractor bids or proposals, work inspection reports, construction payment requests, certification of occupancy, final payment release, change orders, summary per unit budget and actual expenditures. Additionally, recorded lien documents shall be required. The non-profit developer will provide at a minimum Income Certification on all initial tenants and every new tenant.

C. Permits and Inspections
The developer is responsible for ensuring proper permits and inspections are obtained for the construction of the site.

D. Environmental Assessments
Environmental reviews must be conducted prior to the construction of multi-unit sites. No funds will be drawn until all environmental activities have been concluded and cleared.

E. Tenant Eligibility
Income Limits. Households earning less than 50% of the area median household income shall be eligible for this program.

F. Rent Limitation:
Rents will be determined based on the HOME program rent limits as amended on a yearly basis. Per 24 CFR Part 92.252, HUD provides the following maximum HOME rent limits. The maximum HOME rents are the lesser of:
1. The fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111; or
2. A rent does not exceed 30 percent of the adjusted income of a family whose annual income equals 50 percent of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

7. Planning and Administrative Expenses 24 CFR 570.205 and 24 CFR 570.206

A. Summary of Activity
This activity will provide a means for the administration of all program strategies. Total amount expended for administration will not exceed 10 percent of the NSP allocation and 10 percent of program income earned and will be used for planning activities and general program administration.

B. Planning and Administrative eligible expenses include but are not limited to:
- Program planning and environmental expenses
- Management of all draws of NSP funds from HUD and payment of valid and properly documented draw requests from the City’s non-profit partners
• Reporting to HID via the Disaster Recovery Grant Reporting (DRGR) system, using, in part, data provided by the City’s non-profit partners
• Oversight and management to ensure compliance with the federal regulations
• Real Estate Division oversight and management of real estate transactions
• General management, oversight and coordination
• Citizen participation compliance
• Program evaluation and monitoring
• Fair housing compliance

C. Reporting Requirements
All activities carried out with NSP funds will be reported on the Disaster Recovery Grant Reporting Program. Staff will update information on all projects and activities as they occur to accurately reflect program expenditures. The City will comply with the NSP performance reporting requirements.
APPENDIX A

MINIMUM REHABILITATION STANDARDS

This document is intended to provide the minimum acceptable standards for existing residential dwelling units rehabilitated utilizing state or federal funding. These standards are not intended to reduce or exclude the requirements of any local or state building or housing codes, standards, or ordinances that may apply.

The Minimum Housing Rehabilitation Standards were originally designed to include and to expand on the requirements of the HUD Section 8 Housing Quality Standards (CDBG Program) and the Minimum Property Standards (HOME Program). Many of the requirements and standards of this document exceed the requirements of the HUD Section 8 Housing Quality Standards and/or the Minimum Property Standards, but were determined necessary to further define the intent or outcome of these standards and to expand on the common definitions of “safe, decent, and sanitary” housing; “non-luxury, suitable amenities” housing; and “good quality, reasonably priced” housing, that is affordable to persons that are low or low and moderate income.

“Sustainable design” principles have been incorporated, intended to minimize negative environmental impacts and to promote the health and comfort of the occupants of housing rehabilitated to these standards. Included herein are measures to reduce consumption of non-renewable resources, minimize waste, and to create healthy productive environments. Standard measures have been incorporated herein relating to energy conservation, energy efficiency, water conservation, and indoor air quality.

Whenever possible and practical, specify materials or products that are made from recycled materials (such as fly ash concrete, carpeting or flooring made from recycled materials, etc.) or specify materials and products produced from rapidly renewable materials (such as cork or bamboo). To the extent possible and practical, avoid using products from non-renewable resources (such as vinyl siding, windows and flooring; asphalt roofing materials; etc.). Consideration should be given to having energy audits conducted on all properties to be rehabilitated prior to generating the project specifications (encouraged, not required).

These standards assume that a knowledgeable inspector will thoroughly inspect each dwelling to verify the presence and condition of all components, systems and equipment of the dwelling. All components, systems and equipment of a dwelling referenced in this document shall be in good working order and condition and be capable of being used for the purpose in which they were intended and/or designed. Components, systems and/or equipment that are not in good working order and condition shall be repaired or replaced. When it is necessary to replace items (systems, components or equipment), the replacement items must conform to these standards. These standards also assume that the inspector will take into account any extraordinary circumstances of the occupants of the dwelling (e.g., physical disabilities) and reflect a means to address such circumstances in their inspection and in the preparation of a work write-up/project specifications for that dwelling.

All interior ceilings, walls and floors must not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling, missing components or other serious damage. The roof must be structurally sound and weather-resistant. All exterior walls (including foundation walls) must not have any serious defects such as leaning, buckling, sagging, large holes, or defects that may result in the structure not being weather-resistant or that may result in air infiltration or vermin infestation. The condition of all interior and exterior stairs, halls, porches, walkways, etc. must not present a danger of tripping or falling.

Outbuildings must conform to these standards or be removed from the property.

If an inspector determines that specific individual standards of this document cannot be achieved on any single dwelling due to it being structurally impossible and/or cost prohibitive, the inspector shall document the specific item(s) as non-conforming with these standards. The inspector shall prepare a list of any and all non-conforming
items or non-conforming uses along with his/her recommendation to waive, or not-to-waive, the individual non-conforming items. The inspector’s list of non-conforming items and subsequent recommended actions shall be explained to the property owner and the local official(s) representing the program, as well as provide for their signatures and dating of the inspector’s list of non-conforming items and subsequent recommendations. If all parties agree, non-conforming items to these standards may be waived.

III. Definitions

A. **Egress** – A permanent and unobstructed means of exiting from the dwelling in an emergency escape or rescue situation.

B. **Habitable Space (Room)** – Space (rooms) within the dwelling for living, sleeping, eating or cooking. Bathrooms, toilet rooms, closets, halls, storage or utility spaces, and similar areas (rooms) are not considered habitable spaces (rooms).

C. **Energy Star Rated** – Includes all systems, components, equipment, fixtures and appliances that meet strict energy efficiency performance criteria established, as a joint effort, by the federal Environmental Protection Agency, the U.S. Department of Energy and the U.S. Department of Housing and Urban Development and that carry the Energy Star label as evidence of meeting this criteria.

IV. Minimum Standards for Basic Equipment and Facilities

A. **Kitchens** – Every dwelling shall have a kitchen room or kitchenette equipped with the following:

1. **Kitchen Sink.** The dwelling shall have a kitchen sink, connected to both hot and cold potable water supply lines under pressure and to the sanitary sewer waste line. When replacing such components, water supply shut off valves shall be installed. If the existing faucet is to remain, a 2 gallon per minute (GPM) flow restricting aerator shall be installed.

2. **Oven and Stove or Range.** The dwelling shall contain an oven and a stove or range (or microwave oven), supplied by the owner, either gas or electric, connected to the source of fuel or power, in good working order and capable of supplying the service for which it is intended.

3. **Refrigerator.** The dwelling shall contain a refrigerator, supplied by the owner or home buyer, connected to the power supply, in good working order and capable of supplying the service for which it is intended.

4. **Counter Space Area.** Every kitchen or kitchenette shall have a minimum storage area of eight (8) square feet with a minimum vertical clearance of twelve inches (12") and a minimum width of twelve inches (12"). Every kitchen or kitchenette shall have a minimum of four (4) square feet of counter space.

B. **Toilet Room:** Every dwelling shall contain a room which is equipped with a flush toilet and a lavatory. The flush water closet shall be connected to the cold potable water supply, under pressure, and to the sanitary sewer. The lavatory shall be connected to both a hot and cold potable water supply, under pressure, and connected to the sanitary sewer. When replacing such components, water supply shut off valves shall be installed. When replacing toilets, these will have
a flush valve that use less than or equal to 1.6 gallons per flush. Toilet throat size will be no less than 2 inches and glazed smooth. If the lavatory faucet is not being replaced then a 2 GPM flow restricting faucet aerator will be installed.

D. **Bath Required**: Every dwelling shall contain a bathtub and/or shower.

1. The bathtub and/or shower unit(s) need not be located in the same room as the flush water closet and lavatory. The bathtub and/or shower unit may be located in a separate room.

2. The bathtub and/or shower unit shall be connected to both hot and cold potable water supply lines, under pressure, and shall be connected to the sanitary sewer. All shower heads must be equal to or less than 2.0 (GPM) water flow. Where feasible, shut off valves shall be installed on the water supply lines. All faucets, when replaced, shall be water balancing scald guard type faucets.

E. **Privacy in Room(s) Containing Toilet and/or Bath**: Every toilet room and/or every bathroom (the room or rooms containing the bathtub and/or shower unit) shall be contained in a room or rooms that afford privacy to a person with said room or rooms.

1. Every toilet room and/or bathroom shall have doors equipped with a privacy lock or latch in good working order.

F. **Hot Water Supply**: Every dwelling shall have supplied water-heating equipment (water heater and hot water supply lines) that is free of leaks, connected to the source of fuel or power, and is capable of heating water to be drawn for general usage.

1. No water heaters (except point-of-use water heaters) shall be allowed in the toilet rooms or bathrooms, bedrooms or sleeping rooms. No gas water heaters shall be allowed in a clothes closet(s).

2. All gas water heaters shall be vented in a safe manner to a chimney or flue leading to the exterior of the dwelling. Unlined brick chimneys must have a metal B-vent liner installed to meet manufacturer’s venting requirements. If metal chimney venting cannot be added, a power vented water heater may be installed. Size of the B-vent is critical for proper venting. Install according to manufacturer’s recommendations.

3. All water heaters shall be equipped with a pressure/temperature relief valve possessing a full-sized (non-reduced) rigid copper or steel discharge pipe to within six (6) inches of the floor. The steel discharge pipe shall not be threaded at the discharge end.

4. All water heaters must be installed to manufacturer’s installation specifications.

5. All new water heaters shall have internal foam insulation that is a minimum of R-10. Gas water heaters shall have an EF rating of .62 or higher and a recovery efficiency of .75 or better and/or meet Energy Star requirements at the time of installation. Electric water heaters shall be Energy Star Rated.

6. Where feasible, tankless water heaters may be installed in accordance with manufacturer’s guidelines and sized to provide adequate hot water supply to all fixtures. Gas supply lines and or electrical capacity must be evaluated before installing tankless
water heaters. Before installing, careful consideration should be made regarding supply and water temperature to owners.

G. **Exits:** Every exit from every dwelling shall comply with the following requirements:

1. Every habitable room shall have two (2) independent and unobstructed means of egress. This is normally achieved through an entrance door and an egress window.

2. All above grade egress windows from habitable rooms shall have a net clear opening of 5.7 square feet. The minimum net clear opening width dimension shall not be less than twenty inches (20”) wide, and the minimum net clear opening height dimension shall not be less the twenty-four inches (24”) wide. Note that the combination of minimum window width and minimum window height opening size does not meet the 5.7 square feet requirements. Therefore, the window size will need to be greater than the minimum opening sizes in either width or height. Where windows are provided as a means of escape or rescue, they shall have a finished sill height of not more than forty-four inches (44”) above the floor. Egress windows with a finished sill height of more than forty-four inches (44”) shall have a permanently installed step platform that is in compliance with stair construction standards.

   All at grade egress windows from habitable rooms may be reduced in size to 5.0 square feet of operable window area, but the area must meet the minimum width and/or and height requirement restrictions of all egress windows.

   When windows are being replaced within existing openings, the existing window size shall be determined to be of sufficient size even if current window sizes do not meet current egress standards. However, if the specification writer determines that changing the window size is beneficial; such egress widow size modification will be allowed but not required. If new construction windows are being installed, these windows must meet all egress window requirements.

H. **Stairs:** If replacing existing stairs, stairs will need to conform as close as possible to new construction standards, but replacement stairs do not need to be in compliance with new codes. All newly constructed stairs (interior and exterior stairways) shall comply with the following requirements:

1. All stairways and steps of four (4) or more risers shall have at least one (1) handrail. All stairways and steps which are five (5) feet or more in width shall have a handrail on each side.

2. All handrails shall be installed not less than thirty four inches (34”) nor more than thirty-eight inches (38”), measured plumb, above the nosing of the stair treads. Handrails adjacent to a wall shall have a space of not less than one and one-half inches (1 1/2”) between the wall and the handrail. All handrails shall be turned back into the wall on railing ends. The size of a round railing must be a minimum of 1.25 inches, but not more than 2 inches. Railings must be continuous from the top riser to the bottom riser.

3. Porches, balconies or raised floor surfaces, including stairway riser and/or landing, located more than thirty (30) inches above the floor or the grade, shall have guardrails installed that are not less than thirty-six inches (36”) in height. Open guardrails and stair
railings shall have intermediate rails or ornamental pattern such that a sphere four inches (4") in diameter cannot pass through.

4. All stairs and steps shall have a riser height of not more than eight inches (8") and a tread depth of not less than nine inches (9"). All newly constructed stairs, not replacement stairs, shall have a riser height of not more than seven and three quarters (7 3/4") and a tread depth of not less than ten inches (10"). Risers and treads cannot be different in size by more than 3/8 of an inch from the top to the bottom of the stairs.

I. **Smoke Detectors:** All smoke detectors shall be hard-wired with battery back-up and interconnected with all other alarms. There shall be a minimum of one (1) smoke detector per floor and a smoke detector shall be located adjacent to all bedrooms/sleeping rooms and adjacent to the central heating source. All smoke detectors shall be installed per manufacturer’s installation instructions.

J. **Carbon Monoxide Detectors:** Where a heating system source, other than solid fuel burning appliances (e.g., wood stoves), and/or water heater that burns solid, liquid or gaseous fuels is located horizontally adjacent to any habitable room, a hard-wired with battery back-up carbon monoxide detector is required and is to be installed per the manufacturer’s instructions. Any dwelling that has a fuel source heating system (not electric), other solid fuel burning appliances (e.g., wood stoves, pellet, or corn stoves), and/or fuel source water heater (not electric), a hard-wired with battery back-up combination smoke alarm/carbon monoxide detector is required to be installed per the manufacturer’s instructions on the main living area floor.

V. **Minimum Standards for Ventilation**

A. In general, sufficient ventilation shall be present to ensure adequate air circulation in the dwelling.

B. Every habitable room shall have at least one (1) exterior operable window. All operable windows shall be capable of being easily opened and held in an open position by window hardware. All operable exterior windows shall be provided with screens if none exist. Half screens on windows are allowable.

C. Bathrooms, including toilet rooms, shall be provided with a mechanical means of ventilation that is rated at 50 CFM or greater. Fans shall be ducted to the outside of the dwelling. All bathroom fans will be installed on a 20 minute timer for the fan and a regular switch for the light.

D. **Attic Ventilation:**

1. When using roof vents without soffit vents and without a ceiling vapor barrier, sufficient vents shall be used to provide one square foot of free vent area for each one hundred fifty (150) square feet of ceiling area.

2. When using roof vents without soffit vents with a ceiling vapor barrier, sufficient vents shall be used to provide one square foot of free vent area for each three hundred (300) square feet of ceiling area.

3. When using a combination of roof and soffit vents and no ceiling vapor barrier, sufficient vents shall be used to provide one square foot of free vent area for each three hundred (300) square feet of ceiling area. Vents shall be installed with no less than fifty percent
(50%) nor more than eighty percent (80%) of the total vent area in the roof near the peak with the balance of vents in the soffit.

4. To conserve energy, power roof ventilation systems will be used only as a method of last resort. Roof ventilation should be accomplished through correctly sized gable vents, ridge vents, and/or roof pod ventilation systems, and soffit vents.

VI. Minimum Standards for Electrical Service

A. Minimum Electrical Service:

1. Every dwelling unit, at a minimum, shall have a 100 ampere breaker controlled electrical panel. All electrical work shall be in compliance with adopted State electrical code requirements. The panel, service mast, etc. shall also be installed to local utility company requirements.

B. Convenience Outlets:

1. Every habitable room within the dwelling shall contain at least two (2) separate duplex, wall-type electrical outlets. Placement of such outlets shall be on separate walls. All newly installed receptacles shall be grounded duplex receptacles or GFCI protected.

2. All electrical outlets used in bathrooms and toilet rooms, all outlets within six foot (6'-0") of a water source (excluding designated simplex equipment circuits for clothes washing machines and sump pumps), outlets located on open porches or breezeways, exterior outlets, outlets located in garages and in non-habitable basements, except those electrical outlets that are dedicated appliance outlets. All kitchen receptacles serving the countertop area shall be ground fault circuit interrupter (GFCI) protected. All exterior receptacles shall be covered by a receptacle cover that when a cord is plugged in, the GFCI outlet will stay covered and protected.

3. All electrical outlets carrying heavy appliance loads (i.e., window air conditioning units, central air-conditioning units where they exist, refrigerators, freezers, electric stoves, microwaves, clothes washing machines, dish washing machines, electric clothes dryers, furnaces, etc.) shall be simplex receptacles on a separate circuit of the proper amperage and wire size.

4. Basements shall have a minimum of one (1) wall-type electrical outlet for every two hundred (200) square feet, or fraction thereof, of the floor area. Unfinished basements shall have a minimum of one (1) GFCI wall-type electrical receptacle. Such receptacle shall be within 20 feet of the furnace.

5. All accessible knob and tube wiring shall be removed and replaced with type NM cable (Romex) or as required by code.

6. All broken, damaged or nonfunctioning switches or outlets shall be replaced. All fixtures and wiring shall be adequately installed to ensure safety from fire so far as visible components are observed.
7. All missing or broken switch and outlet covers (including junction boxes) shall be replaced. Each receptacle or switch located on an exterior wall shall have a foam seal placed under the cover.

C. Lighting:

1. Every habitable room and every bathroom (including toilet room), laundry room, furnace or utility room, and hallway shall have at least one (1) ceiling or wall-type electric light fixture, controlled by a remote wall switch. Habitable rooms (except kitchens or kitchenettes) may have a wall-type electrical outlet controlled by a remote wall switch in lieu of a ceiling or wall-type light fixture. Energy efficient fixtures that meet energy star ratings and compact florescent bulbs shall be installed in all new fixture instillations.

2. All pendant type lighting fixtures that are supported only by the electrical supply wire shall be removed or replaced. If replaced, replace with Energy Star rated fixtures.

3. All existing closet lights shall be covered.

VII. Minimum Standards for Heating Systems

A. Heating System: All heating systems (and central air-conditioning systems where they exist) shall be capable of safely and adequately heating (or cooling as applicable) for all living space.

B. Cooling System: Non-working or improperly functioning central air conditioning systems shall be repaired or replaced as part of the rehabilitation work. Central air conditioning systems should include a warranty.

C. Requirements for Heating and or Cooling Systems:

1. All existing heating systems, including but not limited to, chimneys and flues, cut-off valves and switches, limit controls, heat exchangers, burners, combustion and ventilation air, relief valves, drip legs and air, hot water, or steam delivery components (ducts, piping, etc.) that are not being replaced, shall be inspected to be in a safe and proper functioning condition at the time of inspection, by means of written project file documentation.

2. Every heating system burning solid, liquid or gaseous fuels shall be vented in a safe manner to a chimney or flue leading to the exterior of the dwelling. The heating system chimney and/or flue shall be of such design to assure proper draft and shall be adequately supported.

3. No heating system source burning solid, liquid or gaseous fuels shall be located in any habitable room or bathroom, including any toilet room.

4. Every fuel burning appliance (solid, liquid or gaseous fuels) shall have adequate combustion air and ventilation air. All new furnaces will have sealed combustion with combustion air brought in from the exterior of the house and installed in accordance with manufacturer’s guidelines.

5. Every heat duct, steam pipe and hot water pipe shall be free of leaks and shall function such that an adequate amount of heat is delivered where intended. All accessible duct joints must be sealed with mastic or any other acceptable product. Newly installed
ductwork must also be sealed. All accessible steam piping and hot water piping must be installed with an approved material.

6. Every seal between any of the sections of the heating source(s) shall be air-tight so that noxious gases and fumes will not escape into the dwelling.

7. No space heater shall be of a portable type.

8. Minimum requirements for forced air furnaces, when installed, will be no less than a 92% AFUE, or the minimum AFUE, if greater than 92%, to obtain a local utility rebate (Energy Star rated for northern climates). Also install a digital programmable thermostat. Condensate lines will drain to a floor drain or have a condensate pump installed and piped to discharge. All furnace duct work shall be equipped with an air filter clean out location that has a tight fitting cover installed over it.

9. All boilers, when replaced, will have an “A” rating and be no less than 87% AFUE rating. All combustion air will be from the exterior of the house. The addition of zone valves may be useful to reduce energy cost. Heat lines shall be insulated with approved material. Programmable thermostats will be installed.

10. A/C units, if added or replaced, shall not be less than 14 SEER or the lowest SEER rating that is available at the time of installation but not less than 14 SEER. All units shall be installed, when possible, on either the north or east side of the dwelling or in an area that will provide shade for the unit. The correct coil will be installed that is compatible with both the furnace and A/C unit.

Homeowners who use window air conditioners will be encouraged to purchase Energy Star rated air conditioners. No window A/C units may be purchased with Housing Funds.

11. All wood, pellet, corn, switch grass, hydrogen, or other biomass fuel stoves must be installed to manufacturer’s guidelines. Where such guidelines are not available, the heating unit will be removed. Venting and combustion air must be installed in accordance with manufacturer’s requirements.

12. The installation of Energy Star rated ceiling fans will be encouraged in general living areas. Fans must be installed to manufacturer’s requirements.

D. Energy Conservation

1. All structures shall comply with certain energy conservation measures (U.S. Department of Energy recommendations). These measures include, but are not necessarily limited to, the following:

   a. The provision of insulation at various locations and at the following recommended resistance factors (r-values). Insulation shall be primarily made from recycled glass or newspaper when available.

      i. Ceilings – R-49 or as close as possible to these requirements where sloped ceilings exist.
      ii. Crawl Spaces (floors or walls) – R-19
      iii. Band Joists – R-19
b. When siding is being replaced and/or interior wall finishes of exterior walls are being replaced on a dwelling, such exterior walls are to be provided with insulation and at the recommended resistance factor (r-value) of R-11, or that which is allowed by the stud cavity space. In addition, an air infiltration barrier, such as Tyvek or approved equal, shall be installed on all exterior walls. If new walls are being framed and insulated, the minimum R factor is R-19 or R-13 plus R-5 foam. The installation of fan-fold foam or foam sheathing may be added to increase household R-ratings.

c. The installation of weather stripping at all exterior doors, windows, ground-entry basement doors, etc. is required. Doors, when replaced shall be a metal clad insulated door (energy star rated for northern climates). Storm doors are encouraged, but not required. Door jams will be sealed and thresholds will be caulked.

d. The provision of caulking around exterior doors and windows, at the foundation/sill plate union, and at other air-infiltration areas.

e. Windows must be current Energy Star rated for northern climate to obtain local window rebates. All storm windows will be removed from heated areas of the home when windows are replaced. All rope weight openings will be insulated and all new windows will have the window jamb sealed. Where SHPO requirements will restrict the installation of vinyl windows, the specifications will be written to come as close as possible to achieving Energy Star requirements.

f. All heat ducts and hot water or steam heat distribution piping shall be insulated or otherwise protected from heat loss where such ducts or piping runs are located in unheated spaces. Similarly, distribution piping for general use hot water shall also be protected from heat loss where such piping is located in unheated spaces. All water distribution piping shall be protected from freezing.

g. Attic access passage ways (scuttle holes) shall be no less than 22” by 30” or the size of original construction. If it is impossible to conform to this standard, the largest attic access hole possible will be installed. Scuttle holes shall extend up a minimum 14 inches above the ceiling. Weather stripping shall be installed at the top of this 14 inch scuttle hole extension and shall be covered with ¾ inch plywood or OSB covered by 2 inch, R-10, foam. The gypsum opening on the ceiling will also be weather stripped and covered with 4 inches of foam. Both doors will be made to sit tight against the weather stripping.

VIII. Minimum Standards for the Interiors of Structures

A. Interior Walls, Floors, Ceilings, Doors and Windows:

1. All interior walls, floors, ceilings, doors and windows shall be capable of being kept in a clean and sanitary condition by the owner.
2. Every bathroom and/or toilet room, kitchen or kitchenette, and utility room floor surface shall be constructed such that they are impervious to water and can easily be kept in a clean and sanitary condition by the owner.

3. All interior doors shall be capable of affording the privacy for which they are intended.

4. The dwelling must have at least one bedroom or living/sleeping room for each two persons. Children of the opposite sex, other than very young children, may not be required to occupy the same bedroom or living/sleeping room.

5. No dwelling containing two or more bedrooms shall have a room arrangement that access to a bathroom, toilet room, or a bedroom can be achieved only by going through another bathroom, toilet room, or another bedroom.

6. All paints, stains, varnishes, lacquers and other finishes used in the rehabilitated dwelling shall be low or no VOC paint finishes and installed as required by the manufacture.

IX. **Minimum Standards for the Exterior of Structures**

A. **Foundations, Exterior Walls, Roofs, Soffits and Fascia:**

1. Every foundation, exterior wall, roof, soffit and fascia shall be made weather resistant. Products for exterior walls, roofs, soffits, and fascia shall be installed in accordance with the manufacturer’s guidelines.

2. Roof replacement shall be installed in accordance with the manufacturer’s requirements. When installing asphalt or fiberglass shingles, a minimum of a 30 year shingle shall be used. Other products such as metal roofing may be considered. When replacing roofs, tile is not permitted.

B. **Drainage:**

1. All rainwater shall be conveyed and drained away from every roof so as not to cause wetness or dampness in the structure. No roof drainage systems shall be connected to a sanitary sewer.

2. The ground around the dwelling shall be sloped away from foundation walls to divert water away from the structure.

3. If feasible, the collection of roof water is encouraged.

C. **Windows, Exterior Doors and Basement Entries (Including Cellar Hatchways):**

1. Every window, exterior door, basement entry and cellar hatchway shall be tight fitting within their frames, be rodent-proof, insect-proof and be weatherproof such that water and surface drainage is prevented from entering the dwelling. In addition, the following requirements shall also be met:
a. All exterior doors and windows shall be equipped with security locks. Deadbolts are not required.

b. Every window sash shall be fully equipped with glass window panes which are without cracks or holes. Every window sash to be replaced shall use Energy Star rated for northern climate windows unless the existing windows have insulated glass. Stained or leaded glass found to be historically significant may be protected by a fixed low-E glass storm window. Every window sash shall fit tightly within its frame, and be secured in a manner consistent with the window design. All window jambs will be sealed. All rope weight openings shall be insulated before installing the new window. Energy Star rated for Northern climate.

c. Storm doors, when installed, shall also be equipped with a self-closing device.

d. Every exterior door, when closed, shall fit properly within its frame and shall have door hinges and security locks or latches. All exterior doors will be no less than metal clad insulated (foam filled) doors. All jambs and thresholds will be sealed.

e. Every exterior door shall be not less than two foot-four inches (2'-4") in width and not less than six foot-six inches (6'6") in height. Existing door sizes will be grandfathered, but an attempt shall be made to have at least one exterior door that is not less than 36 inches wide and no less than 6'-8" high.

X. Minimum Space, Use and Location Requirements

A. No main floor habitable room in a dwelling shall have a ceiling height of less than seven feet, six inches (7'6"). At least one-half of the floor area of every habitable room located above the first floor shall have a minimum ceiling height of seven feet (7'-0"). The floor area of any room where the ceiling height is less than four feet in height shall not be considered floor area in computing the total floor area of the room.

B. A minimum ceiling height of seven feet (7'-0") is acceptable in bathrooms, toilet rooms, habitable basement space, and hallways.

C. All habitable rooms, except kitchens and/or kitchenettes, shall have a minimum width of seven feet (7').

XI. Minimum Standards for Plumbing Systems

D. All dwelling plumbing systems shall be capable of safely and adequately providing a water supply and wastewater disposal for all plumbing fixtures. Every dwelling plumbing system shall comply with the following requirements.

1. All existing plumbing systems and plumbing system components shall be free of leaks. When repairing or adding to such systems, any type of pipe allowed by the State plumbing code shall be allowed.
2. All plumbing system piping shall be of adequate size to deliver water to plumbing fixtures and to convey wastewater from plumbing fixtures (including proper slope of wastewater piping) as designed by the fixture manufacturer.

3. All plumbing fixtures shall be in good condition, free of cracks and defects, and capable of being used for the purpose in which they were intended.

4. The plumbing system shall be vented in a manner that allows the wastewater system to function at atmospheric pressure and prevents the siphoning of water from fixtures. Venting by mechanical vents is accepted as an alternative to exterior atmospheric venting.

5. All fixtures that discharge wastewater shall contain, or be discharged through, a trap that prevents the entry of sewer gas into the dwelling.

6. All plumbing system piping and fixtures shall be installed in a manner that prevents the system, or any component of the system, from freezing.

7. All plumbing fixtures and water connections shall be installed in such a way as to prevent the backflow of water from the system into the plumbing system's water source.

8. All faucets shall have aerators that restrict water flow to about 2 GPM. Toilets, when installed, shall only use 1.6 gallons per flush, or less.

9. Valves shall be installed with the valve in the upright position. When replacing valves, the use of a full port ball-valve shall be encouraged.

XII. Minimum Standards for Potable Water Supply

A. Every dwelling shall be connected to an approved potable water source.

B. All potable water fixtures and equipment shall be installed in such a manner as to make it impossible for used, unclean, polluted or contaminated water, mixtures or substances to enter any portion of the potable water system piping. All equipment and fixtures shall be installed with air gaps (traps) to prevent back siphon age. All outlets with hose threads (except those serving a clothes washing machine) shall have a vacuum breaker for use with the application. No water piping supplied by a private water supply system shall be connected to any other source of water supply without the approval of the jurisdiction having authority over the installation.

C. All unused wells on the property shall be abandoned and plugged in accordance with any local requirements. All cisterns shall be drained and filled, and if applicable, in accordance with local requirements.

XIII. Minimum Standards for Connection to Sanitary Sewer

A. Every dwelling shall be connected to an approved sanitary sewer system.
APPENDIX B

CITY OF CAPE CORAL LENDER GUIDELINES

- Financing should be by institutional lenders or 501(c)3 not-for-profit agencies whose primary mission is providing affordable housing. Institutional lender is defined as any bank or trust company, mortgage banker, savings bank, credit union, national banking association, savings and loan association, building and loan association or other financial institution or governmental agency authorized to conduct business in this State and which customarily provides service or otherwise aids in the financing of mortgages on real property located in this State.

- No seller financing

- Fixed Interest Rate Loans – No adjustable rate mortgages (ARMS) or balloon payments

- Thirty year (30) maximum amortization

- No prepayment penalties

- Minimum buyer cash contribution is $2,000

- Gift funds not included in buyers $2,000 cash contribution

- Property taxes and hazard insurance must be escrowed

- Maximum debt ratios: 33% front end recommended (may be no less than 20%), will consider up to 36% on case-to-case basis; 45% back end.

- Interest rate – Fannie Mae 30 Year/60-day RNY plus 4%

- Combined loan-to-value not to exceed 100% the appraised value

- Lender fees not to exceed 3% of the loan value (application fee, appraisal review, closing fee, commitment fee, discount points, document preparation fee, origination fee, processing fee, underwriting fee, partner fee, mortgage broker fee, administration fee)

- Buyers may have a co-signer on loans however, if the co-signer is not a member of the household their income will not be utilized to calculate front and back end ratios for the purpose of compliance with lender guidelines

Any exceptions to these requirements must be justified and documented to the SHIP Administrator for the City of Cape Coral.
APPENDIX C

INCOME QUALIFICATION PROCESS

The following is an overview of the income verification that must be undertaken and should not be used as a substitute to the HUD Handbook.

The verification process that the City of Cape Coral uses is mandated by the U.S. Department of Housing and Urban Development and the Florida Housing Finance Corporation. Deviations are not allowed. Using stated income is not allowed. Every income and asset source for everyone living in the household must be verified by a third party source. First, however, income and assets need to be identified.

Definition of Annual Income
Annual income is defined as the gross amount of income of all adult household members (excluding employment of minors) that is anticipated to be received during the coming 12-month period. Income information provided by participating households must be verified, and files must include documentation of each participating household’s income eligibility.

Determining Whose Income to Count
Count all anticipated income of all household members.

The following income is not counted:

- Income of live-in aides. If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of its source, is not counted. A related person can never be considered a live-in aide;

- Income attributable to the care of foster children. Foster children are not counted as family members when determining family size to compare with the Income Limits. Thus, the income a household receives for the care of foster children is not included; and,

- Employment income of minors. Employment income of minors (age 17 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, AFDC payments, and other benefits paid on behalf of a minor), must be counted.

Family members living apart from the family also require special consideration:

- Temporarily absent family members. The income of temporarily absent family members is counted in Annual Income—regardless of the amount the absent member contributes to the household. For example, a construction worker employed at a temporary job on the other side of the state earns $600/week. He keeps $200/week for expenses and sends $400/week home to the family. The entire amount ($600/week) is counted in the family’s income;

- Adult students living away from home. If the adult student (over the age of 18) is counted as a member of the household in determining the Income Limit used for eligibility of the family, the student’s income must be counted in the family’s income. An example is a student who spends holidays and summer recess in the household while pursuing a full-time education. The full amount of the student’s income must be included in household’s Annual Income regardless of the amount made available to them; and

- Permanently absent family member. If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.
Income Inclusions

- All wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services (before any payroll deductions).

- Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot be used as deductions in determining net income; however, an allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession is included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family, and the last two years of the business tax forms.

- Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness cannot be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, Annual Income includes the greater of the actual income derived from net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD (currently, that is 2%).

- All gross periodic payments received from Social Security, SSI, welfare, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment (except Social Security).

- Payments in lieu of earnings, such as unemployment, worker’s compensation and severance pay (but see paragraph (3) under Income Exclusions).

- Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling. Alimony and child support amounts awarded as part of a divorce or separation agreement are included as income unless the applicant (1) certifies that the income is not being provided, and (2) takes all reasonable legal actions to collect amounts due. For example: filing with the Child Support Enforcement Office, State of Florida, Department of Revenue.

- All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family, spouse, or other person whose dependents are residing in the unit.

Income Exclusions

- Income from employment of children (including foster children) under the age of 18 years;
- Payments received for the care of foster children; and
- Lump-sum additions to Family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker’s compensation), capital gains and settlement for personal or property losses (see paragraph 5 of Income Inclusions).
- Medical Expense Reimbursements received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
- Income of Live In Aides (as defined by 24 CFR 5.403)
- Armed Forces Hostile Fire Pay
- Income from Full-time students (excluding the head of household or spouse).
- Other federal exclusions.
Calculating Income
Lenders or nonprofits, should assume that today’s circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. For example, if a head of household is currently working for $7.00/hour, 40 hours/week, the agency should assume that this family member will continue to do so for the next year. Thus, estimated earnings will be $7/hour x 2,080 hours, or $14,560. This method should be used even when it is not clear that this type of income will continue in the coming year. For example, assume a family member has been receiving unemployment benefits of $400/month for 15 weeks at the time of income certification. It is unlikely that the family member will continue on unemployment for another 52 weeks, but because it is not known whether or when the family member will find employment, the local agency should use the current circumstances to anticipate Annual Income. Income would therefore be calculated as follows: $400/month x 12 months or $4,800.

The exception to this rule is when documentation is provided that current circumstances are about to change.

Treatment of Assets
In general terms, an asset is a cash or non-cash item that can be converted to cash. (Note: It is the income earned—e.g., interest on a savings account—not the asset value that is counted in Annual Income).

Actual Income from Assets
In general, the income counted is the actual income generated by the asset (e.g., interest on savings or checking account). The income is counted, even if the household elects not to receive it. For example, although an applicant may elect to reinvest the interest or dividends from an asset, the interest or dividends is still counted as income. As with other types of income, the income included in Annual Income is the income that is anticipated to be received from the asset during the coming 12 months.

Assets Valued at $5,000 or Over
For most assets, calculating income from the assets is straightforward. Special rules have, however, been established to address situations in which the assets produce little or no income. This rule assumes that a household with assets has an increased payment ability, even if its assets do not currently produce income. (For example, a household that owns land that is not rented or otherwise used to produce income.) Rather than require the household to dispose of the property, the rule requires that the “imputed” income be calculated based on a Passbook Rate that is applied to the cash value of all assets. (The Passbook rate is established periodically by HUD which is currently 2%).

Asset Inclusions:
- Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc.
- Cash value of revocable trusts available to the applicant.
- Equity in rental property or other capital investments.
- Cash value of stocks, bonds, Treasury Bills, certificates of deposit and money market accounts.
- Individual retirement and Keogh accounts (even through withdrawal will result in a penalty.)
- Retirement and Pension Funds.
- Cash value of life insurance policies available to the individual before death (e.g. surrender value of a whole life or universal life policy).
- Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
- Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim’s restitution and insurance payments.

Asset Exclusions:
- Necessary personal property.
- Interest in Indian trust lands.
- Equity in cooperatives in which the family lives.
- Assets not accessible to and that provide no income for the applicant.
For applications, acceptable forms of verification for specific types of income situations are as follows:

**Employment Income:**
- a. Employment verification form completed by the employer or statement from employer on company letterhead; and
- b. If employment verification is unavailable, 30-day period of pay stubs, showing employee’s name, gross pay per pay period.

**Self-Employment Income:**
- a. Accountant’s or bookkeeper’s statement of net income; or
- b. Audited or unaudited financial statement(s) of the business along with a notarized statement from the applicant giving the anticipated income for the 12 months following certification; or

**Social Security, Pensions, Supplemental Security Income (SSI), Disability Income:**
- a. A benefit verification form completed by the agency providing the benefits (this must be less than 4 months old); or
- b. An award or benefit notification letter prepared and signed by the authorizing agency.

**Unemployment Compensation:**
- a. A verification form completed by the unemployment compensation agency; or
- b. Records from the unemployment office stating payment dates and amounts.

**Alimony or Child Support Payments:**
- a. A copy of a separation or settlement agreement or a divorce decree stating the amount and type of support payment schedule.
- b. A notarized letter from the person paying support; if not court order.
- c. A printout from the court or governmental agency through which payments are being made.

**Recurring Contributions and Gifts:**
- a. Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates, and value of the gifts; or
- b. A letter from a bank, attorney, or a trustee providing required verification.

**Unemployed Applicants:**
- a. The income of unemployed applicants with regular income from any source, such as Social Security, pension, recurring gifts, etc., must be verified as covered previously.
- b. If the applicant is currently unemployed and claiming zero (0) income, he/she must provide evidence of current anticipated income for the certification year by executing an Unemployed Applicant’s Affidavit and providing a signed copy of the prior two years’ tax return or evidence of participation in a housing assistance program.
APPENDIX D

CITY OF CAPE CORAL
SUBORDINATION OF MORTGAGE POLICY
PURPOSE AND INTENT

The City of Cape Coral is a recipient of State Housing Initiatives Partnership (SHIP) grant funds. The City has created public/private partnerships with several affordable housing providers in Cape Coral. These partnerships allow the non-profit agencies to implement the City’s affordable housing strategies contained within the Local Housing Assistance Plan (LHAP). When assistance is provided to an eligible client, a second mortgage note and mortgage are recorded at the Lee County Clerk of Courts.

During the tenure of homeownership, instances arise which necessitates refinancing of the first mortgage. In most instances, the City and the non-profit agency are listed mortgagees on the second mortgage. In order for the lender to create a new loan, they require a subordination of mortgage to make the second mortgage inferior to the first. In the event of foreclosure, this procedure allows the first mortgage holder to be paid first, followed by any second or tertiary mortgages. The City has been processing subordination of mortgage requests without a written policy in place. The absence of such policy undermines the City’s decision to approve or deny a subordination request.

The Florida Housing Coalition (FHC) is the City’s technical assistance provider regarding all SHIP related statutes and rules. The FHC has suggested that the City adopt a written policy in order to substantiate a decision regarding subordination of mortgage requests. As such, we have compiled criteria to assist with rendering a decision for subordination of mortgage requests.

Procedures for Consideration

1. All subordination of mortgage requests will commence with the sponsor agency that assisted the client. After review by the sponsor agency’s Board of Directors, and/or the Executive Director, their recommendation will be forwarded to the City for consideration.

2. City Staff will review requests based on the criteria set forth in this policy and make a decision to approve or deny the request.

3. If the City recommends approval of the subordination and the amount of the mortgage held by the City of Cape Coral is $50,000 or less, the City will forward the request to the Mayor for signature and execution.

4. All subordination of mortgages over $50,000 must be considered by City Council.

5. If a party wishes to appeal a denial by city staff, a letter of opposition should be prepared and forwarded to the Director of Community Development. A decision of the appeal will be rendered within 30 days.

Criteria for Consideration
The primary goal of the City of Cape Coral’s Affordable Housing Programs is to maintain homeownership for the purposes of accumulating equity for greater financial stability. The purpose of the program is not to redistribute wealth, but to maintain affordable homeownership. Therefore, the following criteria are taken into account when making a decision regarding subordination of mortgage requests.

1. Subordination of mortgage requests will be limited only to clients assisted by sponsor agencies.

2. All subordination requests must include a good faith estimate delineating the terms and conditions of the refinance from the lender/broker.

3. All requests forwarded to the city must include a written recommendation of approval or denial from the sponsor agency’s Executive Director or Board of Directors.

4. The loan to value ratio of refinance should not exceed seventy (70) percent. This value is calculated by dividing the mortgage or loan amount by the appraised or assessed value.

5. The City will not approve subordination of mortgages that will enable the client to receive cash out for any purpose, including but not limited to, home improvement loans, bill consolidation loans, lines of credit, future advances, personal loans, medical collections, personal items such as automobiles, motorcycles, or boats, other mortgages or encumbrances or liens. However, the borrower may receive cash payments under a reverse mortgage so long as the mortgage complies with requirement six (6) below.

6. If the new first mortgage is a reverse type mortgage, the maximum lender fees cannot exceed 2% and there must not be any prepayment penalties.

7. The new first mortgage’s origination fee, points, commitment fees, buy down fees and other lender charges do not exceed 2% of the loan amount.

8. The new first mortgage is a permanently fixed rate mortgage with no balloon payments and no pre-payment penalty. Terms may be made for as few as ten years, and may go up to thirty years as applicable based on the original loan balance and the term remaining on the original note.

9. The borrower must have sufficient equity in the home so as not to displace the City of Cape Coral beyond a 95% loan to value ratio.

10. If the borrower has a payment type loan, the account must be current.

11. Property Taxes must not be delinquent.

12. The borrower must submit proof of homeowner’s insurance.

13. If the refinancing results in a lower interest rate and lower monthly payments, thus increasing the affordability for the client, the City will look favorable upon such requests.

14. The interest rate, amount borrowed, the amount of equity the client has amassed in the property and closing costs will be examined by City Staff and will be used to base a decision whether to approve or deny a subordination of mortgage request.