Multifamily Affordable Housing Procedures

CDBG Disaster Recovery Program
Multifamily Affordable Housing Fund
Procedures for Program Development and Implementation
Version 1, January 2019

The Community Development (CD) Department is committed to making the City of Columbia and its neighborhoods a better place to live, work and play. The City strives to provide safe, decent and affordable housing, a suitable living environment, and economic opportunities, especially for low to moderate income individuals and communities. In its strategic Consolidated Plan, the City identified *Improving Affordable Housing Options* as its first priority. The Multifamily Affordable Housing Fund provides an opportunity to satisfy the CDBG Disaster Recovery requirement that 70% of funding benefit Low to Moderate Income (LMI) households while creating greater flexibility in fulfilling needs identified in the CDBG Disaster Recovery Action Plan Amendment for increased affordable rental housing.

There are several areas throughout the City where the availability of affordable housing has become a dire situation, in some cases as much as 55% of renter households are housing cost burdened. After discussions with communities within a low-to-moderate income (at least 51%) census tract, the City has targeted eight neighborhoods for revitalization and redevelopment, thus extending its long-term vision for a healthy, vital community. The Targeted Redevelopment Areas include:

- Belvedere Redevelopment Area
- Booker-Washington Heights Redevelopment Area
- Brandon Acres/Cedar Terrace Redevelopment Area
- Eau Claire Redevelopment Area (Farrow Road Business Corridor)
- Edisto Court Redevelopment Area
- King/Lyon Street Redevelopment Area
- Neighborhood Revitalization Strategy Area
- Pinehurst Redevelopment Area

National Objective

Each CDBG-Disaster Recovery assisted project must meet a national objective. Most often, Columbia multifamily rental projects will meet the low and moderate income (LMI) national objective. Structures containing more than two dwelling units must allocate at least 51% of the units for occupancy by LMI households. The City of Columbia may fund *mixed income* projects, but only to the extent of the owner's willingness to meet requirements of one of the following national objectives to all units assisted:

- LMI Housing
- Urgent Need
- Elimination/Prevention of Slum or Blight

CONNECTION TO DISASTER AND UNMET NEED

The 2015 Flood indirectly exacerbated an existing shortage of affordable housing created by displaced homeowners entering the rental market at the same time that a portion of the multifamily market was severely damaged or destroyed. The City is experiencing a severe lack of decent, safe, sanitary housing, accompanied by increased rents at all levels of the housing market. As rents rise, LMI households become increasingly rent burdened or priced out of the market. These impacts are directly attributable to the disaster.

As stated in the Federal Register dated June 9, 2016, under Public Law 114-113, grantees may fund new construction (see paragraph 28 of Section VI of this notice) or rehabilitate units ***not*** damaged by the disaster if the activity clearly addresses a ***disaster-related impact and is located in a disaster-affected area.*** This impact is demonstrated by the disaster's overall effect on the quality, quantity, and affordability of the housing stock and the resulting inability of that stock to meet post-disaster needs and population demands.

While no statistics are available concerning the direct loss of rental housing due to the October 2015 Flood, the disaster recovery team has visited several multifamily apartment complexes damaged by the storm. Anecdotal evidence from property managers suggests that the shortage of affordable housing, including rental units, has escalated since the storm and that many landlords raised rates after repairing property damages.

PROJECT SELECTION

The City will consider proposals from City and governmental agencies and private or nonprofit developers experienced in implementing both large and small scale multifamily affordable housing projects. A sub-recipient may be a public agency, nonprofit organization or Community Based Development Organization (CBDO) selected to administer all or some of the CDBG DR Multifamily Affordable Housing program for the development of affordable housing or providing down payment assistance or tenant based rental assistance. A private developer, public agency or nonprofit that receives CDBG DR funds as a developer or owner of a housing project is not a sub-recipient. The City's selection of a sub-recipient is not subject to the procurement procedures and requirements.

Eligible projects may be located anywhere within the city limits, but must meet the following requirements:

- Acquisition and demolition activities; new construction of rental or homebuyer properties; or rehabilitation/reconstruction of storm damaged units on the same lot;
- Units must be located within a designated target redevelopment area;
- Applicant must have site control, funding commitments, development timeline;
- Limited to gap funding; subsidy layering review will be performed;
- CDBG DR funds cannot be more than 50% of total funding, less initial reserves in excess of $5000 per unit;
- Minimum unrestricted liquid assets of $50,000;
- Minimum number of units is eight (8); at least 75% of all units are reserved for LMI (80% or less AMI);
- Plans and specs must meet disaster resistant, green building and energy efficiency requirements;
- Broadband technology for all new construction and substantially rehabilitated developments.

As part of the application process, the City will perform a risk analysis that evaluates the following factors (Risk Analysis Matrix is attached):

- Organization type
- Organization experience
- Project complexity
- Environmental concerns
- Funding
- Previous experience with the City of Columbia
- Organization maturity
- Staff capacity/resources
- Compliance
- Financial audit results

The Multifamily Affordable Housing Fund allows the City to use grants or forgivable loans to finance property acquisition and/or demolition, new construction of rental housing or homebuyer properties, or reconstruction of damaged units on the same lot. For projects assisted with significant leverage, including low income housing tax credits (LIHTC), state housing tax credits, or housing bonds, the City is likely to fund a small proportion of the overall debt and will structure its contribution as a forgivable loan or grant. Projects leveraged with tax credits and/or bonds carry significant affordability restrictions, permitting the City to rely on others for affordability compliance.

Priority will be given to development projects that directly or indirectly replace rental units damaged by the storm, are located within a target revitalization area, maximize the benefit for low to moderate income renters, and are *shovel ready* (ready to proceed as described below). Applicants with other sources of financing committed; that have demonstrated capacity; that have prior experience working in a regulated affordable housing framework; and have an understanding of Federal regulations will also receive priority. Specifically, projects will be selected using the following criteria:

- Project activities are consistent with the priorities established in the City's Consolidated Plan;
- The project is located within the city limits;
- The project maximizes the number of LMI beneficiaries;
- Readiness to proceed;
- The project imposes affordability restrictions that match the level of CDBG Disaster Recovery funding investment;
- The project is financially viable and all other financing sources have been committed;
- The project timeline is realistic, costs are reasonable, and the developer's level of experience and financial capacity is substantial.

Readiness to Proceed

The applicant must demonstrate site control to the satisfaction of City in the form of either ownership, ground lease, or an option to purchase or lease. This *readiness to proceed* has an immediate impact on the City's ability to meet CDBG Disaster Recovery timeliness requirements. To assess the owner, developer, or partners' readiness and capability to carry out the project successfully, the City will evaluate responses to the following questions:

- Are there qualified and ready-to-work team members for all roles listed in the application?
- Has the owner successfully completed other federally funded projects?
- Is knowledge of CDBG-DR rules and federal regulations indicated by a correct application and a project plan that reflects full understanding of CDBG-DR, environmental review, duplication of benefits, relocation and other Federal requirements?
- Is the project eligible for CDBG Disaster Recovery funding?
- Are all other financing sources committed?
- Has an environmental assessment been completed;
- Is the project timeline realistic; can project begin within 12 months of funding commitment?
- Do plans and specifications meet mitigation, resiliency, green building, and energy efficiency requirements?

Market Viability

Before committing CDBG Disaster Recovery funds, the City will determine whether the proposed project is potentially viable in its market area by requiring applicants to conduct a market analysis to assess supply and demand in the surrounding area. This requirement ensures that the investment of CDBG Disaster Recovery funds results in housing that will be rented or sold as quickly as possible. The market study must state conclusions as of a date within 12 months prior to the date of application. The market study must include an estimate of comparable market rents (i.e., the rents that the proposed project could command in the absence of rent and income restrictions).

Developers must design an affirmative marketing plan that meets or exceeds HUD Federal Affirmative Marketing criteria to ensure the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and women, in all contracts to provide affordable housing; supports the City's Analysis of the Impediments to Fair Housing; identifies activities to advertise vacant units and prioritize tenants displaced by the 2015 Storm; uses the Equal Housing opportunity logo or slogan; and clearly defines recordkeeping obligations.

To determine market viability, the Community Development Compliance division will evaluate the following:

- Are developer's projections for rent, vacancy, and unit quality consistent with a market study or known market information?
- Does the CDBG DR investment exceed the per unit dollar limitations established by HUD and published on an annual basis.
- Are market analysis conclusions supported by the evidence presented with regard to area rents and vacancy rates?
- Are the properties used as market comparables truly comparable in location, unit size, and amenities, and have differences been adequately adjusted?

Whether or not the applicant plans to utilize Low Income Housing Tax Credits (LIHTC) or other funding from the South Carolina Housing Finance and Development Authority (HFDA), the City of Columbia will require one electronic and one hard copy application as part of the CDBG Disaster Recovery request for funding. (Application for Funding attached.) Applicants must submit the following documentation:

- Most recent annual audit or financial statement;
- Completed Environmental Review Record consistent with 24 CFR Part 58;
- Non-profit tax exemption letter if applicable;
- List of Board of Directors including name, phone number, address, affiliation and principal officers;

- Current organization by-laws;
- Board authorization to enter agreement and designation of official with authority to sign agreements;
- Organization Chart of administrative framework;
- Operating budget and sources and uses budget;
- Resume of Chief Program Administrator;
- Resume of Chief Fiscal Officer;
- Description of similar projects and outcomes;
- Market Analysis and Feasibility Study;
- Written procedures concerning record-keeping methods, financial management, etc.;
- Any previous monitoring findings;
- Local support letter.

FINANCIAL COMMITMENTS

Project financing will take into account the projected operating expenses, the ability to repay project debt, and the likely cash flow from the project. The financial structure and payment options will reflect the realities of the project and partnerships selected. To the greatest extent practical, the City will encourage the leveraging of CDBG Disaster Recovery funds by employing housing bonds, FEMA funds, other state and local financial sources, and Low Income Housing Tax Credits (LIHTC) when feasible.

To assure the long-term financial viability of the project the City will consider whether a developer's budget for property expenses is realistic; and, given rent restrictions, potential shortfalls in cash flow have been identified. All non-CDBG Disaster Recovery funding sources are subject to the following requirements:

- Commitments may be in the form of a Letter of Intent to Commit Funds and must be dated no more than 30 days before the application date and extend at least 30 days past the anticipated funding date indicated in the application. The City reserves the right to require updated commitments as necessary.
- Conditions are subject to the City's determination of reasonableness. The City may reject any commitment if, in its discretion, any condition is outside of market requirements and/or is unlikely to be satisfied.
- Each commitment from a lender must acknowledge and permit the CDBG Disaster Recovery Loan or Grant and consent to the form, execution and delivery of the CDBG Disaster Recovery legal documents.
- Projects utilizing 9% Low Income Housing Tax Credits (LIHTCs) must have a LIHTC reservation.

- Projects utilizing 4% LIHTCs need not have a LIHTC reservation, but must have a syndication or investor commitment acceptable to City.

TERMS OF AFFORDABILITY

The housing national objective will be met at the time the project is completed and the units are first occupied. If those households move out and others move in, HUD does not require that the City evaluate or constrain the income of subsequent tenants. The number of units dedicated to LMI occupants will be determined by the requirements of the most rigorous funding source. The period of affordability for new construction is 40 years, which is considered the useful life before a rental project will need rehabilitation. For purposes of CDBG Disaster Recovery funding, the affordability term is for one year from initial occupancy.

CDBG Disaster Recovery requirements will be enforced by a recorded Restrictive Covenant running with the property if required. Mixed income developments refer to projects where a portion of households are below 80 percent of area median income (AMI) and a portion of households are above 80 percent of AMI. CDBG requires at least 51% of the units assisted be at or below 80 percent AMI. If the project receives subsidies from other sources, the rents must reflect the requirements of the most restrictive source of funding. Before the project is ready for tenant occupancy, the City will consider the following:

- Rents must not exceed HUD's definition of *affordable rents* (annual Fair Market Rent) for the full term of the affordability period.
- All tenants must be income qualified at the time they move in, but do NOT have to be re-certified annually. A tenant's income may increase over time without displacement from the project, but the amount of rent paid may increase proportionately.

ENVIRONMENTAL REVIEW

All applicable National Environmental Policy Act (NEPA) requirements must be met including state and local environmental requirements. The most stringent environmental rule applies, whether federal, state or local. Projects that have received and expended other sources of funding (FEMA, local funds, etc.) and have previously completed an environmental review are eligible. Projects where construction has not started are also eligible; however, no choice limiting actions may occur until HUD has issued environmental clearance and an Authority to Use Grant Funds. The City will ensure that the proper steps are followed before committing or expending CDBG Disaster Recovery funds.

A Categorical Exclusion Not Subject to 58.5 may be prepared for predevelopment costs such as legal, consulting, developer and other costs related to obtaining site options, project financing, administrative costs and fees for loan commitments, zoning approvals, and other related activities that do not have a physical impact. All new construction will require an Environmental Assessment; completion of the Compliance Checklist, the Statutory Checklist and the

Environmental Assessment Checklist, associated worksheets and documentation and studies. Applicants must provide information regarding specific features or characteristics of the property including its history, past uses, and the scope of the proposed redevelopment.

Eligible project costs include:

- *Development Hard Costs:* The actual cost of constructing new housing including the cost meeting the standards in §92.251; demolishing existing structures; and making utility connections, including off-site connections from the property line to the adjacent street. Site improvements may include necessary on-site roads and sewer and water lines. For multifamily rental housing projects, the costs to construct or rehabilitate laundry and community facilities within the same building are also eligible.
- *Related Soft Costs:* Other reasonable and necessary costs associated with the financing or development (or both) of new construction or acquisition of housing including architectural, engineering, or professional services required to prepare plans, drawings, specifications, or work write-ups; costs to process and settle project financing; costs of a project audit; costs to provide information services such as affirmative marketing and distributing fair housing information to prospective homeowners and tenants.
- *Environmental Review:* Costs of completing an environmental review record and release of funds directly related to the project.
- *Relocation Costs:* The cost of relocation payments and other relocation assistance to persons displaced by the project are eligible costs.

New Construction Projects

New construction projects financed with CDBG Disaster Recovery funds must meet all applicable state and local codes, ordinances and zoning requirements. Multifamily dwellings must also meet the accessibility design and construction requirements of the Fair Housing Act (42 U.S.C. 3601 3619) and Title II and III of the Americans with Disabilities Act. New construction will also mitigate the impact of potential disasters such as hurricanes, earthquakes or floods, in accordance with HUD requirements for Disaster Resistant Housing, Green Building Standards, and Energy Efficiency. The City will perform ongoing monitoring and inspections, which will occur at the time of construction draw requests. The number and timing for these draw requests will be identified in the contract terms and conditions.

Basic Financing Strategies

Project financing will consider projected operating expenses, the ability to repay debt attached to the project, and the likely cash flow from the project. In most affordable housing scenarios, the developer will secure a conventional first mortgage in the greatest amount feasible.

For projects assisted with significant leverage such as low income housing tax credits, state housing tax credits, or housing bonds, the City is likely to have a very small proportion of the overall debt and may structure the CDBG Disaster Recovery portion as a forgivable loan or grant. Projects leveraged with tax credits and/or bonds carry significant affordability restrictions that will be monitored for affordability compliance by the funding agency. Whether or not projects include LIHTCs, the City generally adopts the underwriting criteria used by SC HFDA. For projects in an environmentally sensitive area where mitigation and resiliency will be utilized, the City will work closely with FEMA to leverage Hazard Mitigation Assistance (HMA) if eligible.

Gap Funding

Subject to the limitations discussed herein, the amount of CDBG-Disaster Recovery funding will be limited to closing any gap in funding. The City may modify its legal documents to address particular features of funding or other aspects of any given project; however, applicants agree to execute the City's legal documents without modification. The following legal documents will be executed, if applicable:

- Cooperative Endeavor Agreement
- Rental Property Owner Grant Agreement
- Subrecipient Agreement
- Developer Agreement

Low Income Housing Tax Credits (LIHTC)

The City assumes that projects with existing LIHTC reservations have completed processing by the South Carolina Housing Finance and Development Authority (HFDA). For projects that do require reprocessing:

- If HFDA determines that the proposed project has an excess of funds, the Authority in cooperation with the City will determine how to reduce project funding to the necessary development level.
- If HFDA determines that the proposed project does not have sufficient sources of funds, the City will not be under any obligation to increase the CDBG Disaster Recovery award, and HFDA may reject the applicant's LIHTC application.

For applicants planning to utilize tax-exempt bond financing, the City provides the following based on its understanding of bond-related requirements that may be applicable and that applicants should take into consideration:

- **Fees.** Applicants should determine any fees that the issuing agency may charge. No application fees or analysis fees are payable to the City in connection with this program.
- **Construction Timing Considerations.** Applicants are reminded that the CDBG Disaster Recovery program's environmental review requirements prohibit applicants from taking

any *choice limiting actions,* such as purchasing land or commencing construction, before receiving environmental approval from HUD.

- **Public Notice Requirement.** Applicants are reminded that bond financing includes a public notice requirement.

Award Process

Applications first will be reviewed for completeness. All applicants who submit incomplete applications will receive a deficiency letter. Deficiencies are aspects that prevent the City from properly evaluating the application such as statements that are not adequately supported, inconsistent or conflicting information, and confusing or ambiguous explanations. Applicants will have ten business days to respond to the deficiency letter. If all deficiencies are not remedied within the allowed period, the application will be rejected.

Funding Agreements

The City will execute a funding agreement with all of the particulars of the specific project. All funding agreements and legal documents will reflect the performance and compliance requirements for each project, so that any meaningful change requires prior approval and all requirements are enforceable on the developer and/or the rental property owner, including:

- Project budget; project description, unit type, design, and construction standards;
- Housing Quality Standards and Energy Star Certification;
- Affordability requirements;
- Compliance with state and local tenant-landlord laws
- Lead-Based Paint requirements, if applicable;
- Fair housing and equal opportunity provisions;
- Funds release schedule; conditions for payment;
- Record keeping and reporting provisions;
- Enforcement provisions;
- Compliance and monitoring requirements.

Duplication of Benefits

A duplication of benefits analysis must be conducted for each project to ensure CDBG-Disaster Recovery funds do not duplicate funds provided from another source. The applicant and the grantee must document all sources of funds provided for the project—including (but not limited to) FEMA payments, grants, and any other source of funds dedicated to the multifamily or single family housing project.

Feasibility

The feasibility of any given multifamily project should be a primary consideration for the grantee. Feasibility is affected by a number of factors including damage, local codes, the property's location, mitigation, and the financial viability of the property during the compliance period. For multifamily projects where mitigation is required, the costs of mitigation may significantly affect the overall cost of rehabilitation. In these instances, the grantee may determine the more cost effective approach is to build new units in areas where mitigation will not be required rather than rehabilitate the existing units. Grantees should evaluate feasibility early in the assessment process in order to better assess effective options.

LEVERAGE

HUD strongly encourages its grantees to leverage CDBG-DR funds to the greatest extent practical. For example, multifamily projects typically involve numerous revenue streams, and a grantee *could* require leveraging through its eligibility criteria. Other forms of assistance include housing bonds, FEMA funds, other State and local sources, and/or Low Income Housing Tax Credits. While leveraging can also be critical to the underwriting process (and the viability of a large project), HUD recognizes that it may not be feasible, or desirable, in all cases.

TIMELINESS

CDBG-DR funds may require expenditure within a certain amount of time. Regardless, multifamily housing often requires a significant lead time for feasibility, environmental requirements, architectural and engineering designs, and securing the financing. Thus, the development cycle for new construction averages two years. In cases where elevation is chosen, or where Public Housing projects must go through a disposition process, the redevelopment cycle can extend an additional year. For these reasons grantees should pay special attention to project scale, readiness to proceed, and developer/owner capacity. All CDBG Disaster Recovery funds must be expended within six (6) years from grant approval.

UNDERWRITING

The grantee will be required to underwrite each project to ensure the OMB standard (2 CFR 200.400) of cost reasonableness is met. Underwriting should be based on fixed criteria with variations for special circumstances or conditions. The threshold requirements include all of the base eligibility requirements outlined above, all Federal cross cutting requirements, owner/developer capacity, plus financial feasibility and long term viability. Before committing funds, the City will evaluate a project to determine if it meets guidelines regarding an owner or developer's reasonable level of profit or return on investment based on the size, type and complexity of the project, specifically:

- Project costs are reasonable;
- Neighborhood market demand;
- Experience and financial capacity of the developer;
- Other financial commitments;
- Applicant must have minimum unrestricted liquid assets of $50,000.

Grants

In CDBG-Disaster Recovery, grants are typically utilized in situations where:

- There is little or no likelihood of repayment;
- The rental housing cannot support any further debt and refinance is not an option; and
- The subsidy amount is small.

The rehabilitation of small or large rental housing projects which cannot support further debt may require the grantee to provide all or a portion of the CDBG-DR assistance as a grant. For example, many small rental housing projects cannot support further debt. In other cases, minor costs of repair or rehabilitation (e.g., under $10,000) may create more of a cost-burden to the grantee if the assistance is structured as a loan. Before providing CDBG-DR funds in the form of a grant, a grantee should underwrite the project and utilize a forgiveness provision coupled with a balance due on sale clause during the compliance period (if any) to ensure the property is not *flipped* by the owner for a quick profit.

Monitoring

Funding of the Program is through the United States Department of Housing and Urban Development, Community Development Block Grant Program. Applicants and their counsel should be familiar with the full range of CDBG-Disaster Recovery compliance requirements. CDBG Disaster Recovery rental projects will receive an initial monitoring review during the lease-up period, which provides the CDBG DR participant/owner with technical assistance and guidance to ensure that the affordability requirements are adhered to for future monitoring visits. CDBG DR participants/property owners are required to review rent, utility allowances and tenant incomes for one year after execution of the lease. Ongoing project monitoring will be managed by the City's Community Development Compliance Monitoring team. Project compliance is based on regulatory requirements found at 24 CFR part 92.504 d (1).

Other Compliance Requirements

All recipients of CDBG Disaster Recovery funding must comply with the regulatory requirements contained in the CDBG Disaster Recovery Rental Property Owner Grant Agreement and Cooperative Endeavor Agreement, sub-recipient or developer agreement, which will be discussed in detail below. These include without limitation:

- Davis-Bacon prevailing wage requirements (for properties of 8 or more units);
- Section 504 accessibility requirements;
- CDBG-DR reporting requirements;
- Section 3 requirements;
- Lead Based Paint;
- Uniform Relocation Act requirements.

Environmental Clearance

Applicants selected for funding will be required to submit an Environmental Review Record (ERR) pursuant to 24 CFR Part 58. This record will be reviewed by City. A successfully completed ERR will then require a 15 day public comment period prior to the Authority to Release Grant Funds. Prior to receipt of environmental clearance from City, the applicant may ***not*** undertake, or commit any funds to, physical or choice-limiting actions, including property acquisition, demolition, tenant relocation, rehabilitation, conversion, repair or construction. Violations of this provision may result in the denial of any funds under this program. Applicants are encouraged to ensure that site control exists for sufficient period of time to allow environmental clearance process to be completed before purchase must occur.

Accessibility

Projects will be subject to accessibility requirements under Section 504 of the Rehabilitation Act of 1973.

Labor Standard Provisions

For properties of 8 units or more, construction will be subject to labor standard provisions including Davis-Bacon wage and record-keeping requirements.

Lead Based Paint

HUD's lead based paint regulations at 24 CFR Part 35 require, among other things, that lead hazard evaluation and reduction activities be carried out for buildings originally constructed before 1978 and receiving CDBG-DR assistance. The discussion below assumes that CDBG-DR assistance will be at least $25,000 per residential unit.

- For any project that includes an existing building that was completed prior to January 1, 1978, the application must include a discussion that establishes whether each such building is Target Housing (as defined in Part 35).
- For any proposed project that includes Target Housing:
  - Before construction begins, a Risk Assessment (to determine the existence of lead paint hazards, and to design a lead hazard control plan) must be completed by State-accredited inspection personnel in accordance with HUD's regulations at 24 CFR Part 35.
  - An Inspection to determine the location of any lead-based paint is also required. The Inspection must identify the components that contain lead paint in sufficient detail to permit construction personnel to formulate a hazard control plan.
  - During the rehab, any Lead Hazards identified in the Risk Assessment must be abated, and this abatement work must be performed by State-licensed abatement contractors.

- A lead hazard clearance report, based on dust testing by a State-accredited Risk Assessor or Inspector, is required after completion of construction. Dust testing must be carried out, and evaluated, in accordance with HUD's regulations at 24 CFR Part 35.

The application must include a line item for the costs of lead hazard abatement and control, with an explanation that adequately supports the estimated cost, based on the risk assessment and inspection.

A copy of the Risk Assessment and Inspection must be included in the application.

Section 3

HUD's Section 3 requirements apply. In general, Section 3 requires outreach, prior to awarding contracts and subcontracts to construct a project under the Program. Applicants must conduct outreach to low-income individuals living in the area where the project is located and to certain businesses located in the area in which the project is located. The intent of the Section 3 requirements is to encourage employment of such individuals and businesses in connection with the construction of the project. These requirements apply to any construction/rehabilitation contract or subcontract in excess of $100,000.

Uniform Relocation Act (URA)

CDBG-DR requires protections for each in-place tenant with a bona fide lease. The tenant must be given at least 90 days advance notice to move, or until the lease expires, whichever is longer. If the City does not include a prohibition against permanent displacement, the CDBG Disaster Recovery URA policies and procedures for relocation compensation will be followed.

Conflict of Interest

HUD regulations require grantees and sub-recipient to maintain written standards governing the performance of their employees engaged in awarding and administering contracts per the Housing Rules and Regulations Manual codified in October 2016.

Program Income

Gross income from the use or rental of real property, owned by the recipient, or a sub-recipient, that was acquired, rehabilitated, or constructed with CDBG DR funds or matching contributions, less costs incidental to generation of the income. Program income does not include gross income from the use, rental or sale of real property received by the project owner, developer, or applicant, unless the funds are paid by the project owner, developer or applicant to the grantee or sub-recipient.

RISK ANALYSIS MATRIX

Criteria	Low Risk (1-4 points)	Medium Risk (5-7 points)	Higher Risk (8-10 points)	Score
Organization Type	Government agency or non-profit subject to federal audit requirements	Non-profit not subject to federal audit requirements	For-profit organization not subject to federal or other audit regulations	
Organization Experience	Experience with similar HUD/federal programs	Established developer but no CDBG/federal experience	Newly created entity	
Project Complexity	SOW is easy to perform and progress is easy to assess through periodic reports and measurable milestones; single unit new construction	Multiple units, new construction	Rehabilitation	
Environmental Concerns	CEST/CENST	EA	EIS	
Funding	CDBG Funds only	Other funds committed	Sources identified, not committed	
Prior experience with the City of Columbia	Previous experience with no concerns	Previous experience with minor concerns or new collaborating organization	Previous negative experience, such as failure to meet performance goals, etc.	
Maturity of Organization	Mature (more than 10 years)	Mature, but not development oriented; or established (3-10 years) with sufficient fiscal controls	1-3 years of operations with limited fiscal controls, or a start-up with no fiscal controls in place yet	
Staff capacity/resources	Experienced staff on board	Need to hire outside resources	Significant turnover; limited resources	
Compliance	No compliance issues	Some concerns in the past	Unresolved monitoring issues	
Financial audit results	Has annual single audit with unqualified opinion (i.e. no audit findings)	Has annual third-party financial audit with unqualified opinion (i.e. no audit findings)	Has had no audit performed or has identified audit findings and/or material weakness in either of the two preceding fiscal years.	
Assessment	Total points 10-40 - Low Risk	Total points 50-70 - Medium Risk	Total points 80-100 High Risk	