

THIS RFP HAS BEEN EXTENDED TO MAY 1, 2009

REQUEST FOR PROPOSALS

Affordable Rental Housing

The City of Houston – Housing and Community Development Department (HCD) invites Proposals for funding under the *Apartments to Standard* and Hurricane Ike recovery programs (the Programs). The objectives of the Programs are as follows:

- To quickly act in response to recent natural disasters that have reduced the supply of quality affordable housing in Houston.
- To correct physical problems with 10-30 year old multifamily rental properties that were impacted by Hurricane Ike, thereby improving the housing conditions of the families residing therein;
- To complement the State of Texas tax credit process by helping support projects that envision demolishing and reconstructing older properties, particularly those within the Target Zones of Fondren/Southwest and Antoine/DeSoto ;
- To reduce blight in targeted neighborhoods.

Applicant may be the current owner, the purchaser of a project or the project developer. While Applications for projects will be accepted for properties located throughout Houston, preference will be given to properties located within the Target Zones. The Programs will offer *project subsidies* through performance-based zero-interest loans supporting multifamily projects. The Housing and Community Development Department (HCDD) will provide HUD “HOME” or Community Development Block Grant (CDBG) funds to projects that:

- Preserve and create quality affordable housing,
- Leverage other available resources
- Help revitalize neighborhoods.

Each funding source is subject to specific regulatory restrictions; however, Applicants should assume HOME restrictions will apply when planning their projects.

IMPORTANT NOTE: APPLICANT IS ADVISED TO CHECK PROPERTY ADDRESS AGAINST THE MOST RECENT FLOOD MAPS WHICH CAN BE SEARCHED BY ADDRESS AT THE FOLLOWING WEB SITE: WWW.TSARP.ORG. HCDD IS UNABLE TO FUND PROJECTS IN THE 100-YEAR FLOOD PLAIN.

Requirements for the properties selected for City investment include at a minimum:

1. Applicant must comply with all pertinent federal regulations. This includes the Uniform Relocation Act, the Americans with Disabilities Act, and HUD's Housing Quality Standards. See Appendix A for further information.
2. No part of the improvements on the property may be located within the 100-year flood plain as identified on the most current Federal Emergency Management Agency Flood Maps.
3. Applicants must provide an architectural or engineering evaluation of any proposed major rehabilitation showing that the proposed improvements will extend the useful life of the property by 20 years.
4. The City will not pay for soft costs such as overhead, fees, or replacement reserves in rehabilitation projects.
5. The Applicant's guarantors will be personally liable for the City loan through completion of the project. Upon project completion, per HUD requirements, personal liability of the guarantors will be released except for losses due to fraud, theft, failure to pay taxes, failure to maintain insurance and similar acts or omissions ("bad acts exceptions"). The property will remain subject to the lien in favor of the City. The Applicant will remain liable for the loan.
6. Either payment and performance bonds, or a satisfactory letter of credit, will be required. See specific directions on page 9 of this RFP.
7. The City will require the Applicant to place affordability covenants on units in each project that will guarantee affordability for up to 15 years after completion of Renovation and 20 years for New Construction. The covenants restrict the amount of rent that can be charged for certain units according to 24 CFR 92.252 (e). The number of restricted units is based upon the City's loan for the project relative to the overall capital position of the project. These covenants must be in a lien position superior to all other debt, including existing debt, and will require the existing lender to subordinate to the rent restrictions. The City's lien position can be junior to an existing lender, but the covenants must be

- superior to all other debt and liens, except liens for *ad valorem* taxes for future years.
8. The post-rehabilitation *pro forma* financial statements must make adequate provision for replacement reserves, HUD rents, and the anticipated number of rent-restricted units as estimated by Applicant.
 9. The Applicant must retain ownership of the asset for a minimum of three years after completion of the project. Assets may be sold after the restricted time period, subject to the restrictions described above.
 10. The City of Houston desires to avoid over-concentration of multi-family housing in any neighborhood and will make a determination regarding proposed project location quickly. While concentration policies do not apply to rehabilitation of existing projects, Applicants planning new construction are encouraged to request a concentration determination early in the project development process.

Preferences:

1. Leverage of Federal dollars with equity (including sale of tax credits), and private bank loans for both interim and permanent financing, are sought. Projects that will bring varied sources of funds to invest will receive highest priority.
2. Projects located in the City of Houston's Fondren/ Southwest or Antione/DeSoto Target Zones, and projects that address *uninsured* Hurricane Ike-related damage, (located primarily in the following two areas: US 290-Beltway 8-Interstate Highway 45 North and State Highway 288-Beltway 8-Interstate Highway 45 South) coupled with a restoration of all units under Houston's existing Apartments to Standards program, will receive high priority for funding. Projects selected for inclusion will typically be in the 10-30 year old range and will have their useful lives extended by 20 years.
3. Projects within these zones that envision some reduction of unit density will receive priority. Such density reduction might include the demolition of one structure, to be replaced with a playground or community building in the center of the property; or the acquisition and demolition of an entire complex, with reconstruction to consist of at least 10% fewer units than were originally on the site. Green space created under this program should have a specific use.
4. Projects that take into consideration their neighborhoods and make provision for area beautification, such as caring for a landscaped median in the streets surrounding the project; or providing space for a neighborhood clinic, tutoring or other after-school

program, as needed by the residents, will be more favorably received. While the City does not prescribe project amenities, it does encourage consideration of items to create better neighborhoods.

Opening and Closing Dates for this RFP:

This RFP opens on December 15, 2008 and closes on ~~March 31, 2009~~ May 1, 2009. Awards will be made on a rolling basis until the sooner of the closing date or expenditure of all available funds.

I. Threshold Requirements:

A. Eligible Housing Types and Activities: multifamily rental properties.

1. Single-Room-Occupancy developments.
2. Rental properties with specific targeting, such as elderly or special needs.
3. Projects should contain a minimum of 64 units.

B. Eligible Borrowers:

1. For-profit and not-for-profit Applicants, acting individually or as participants in a limited partnership [LP] or limited liability corporation [LLC], are eligible applicants. Not-for-profit entities must provide evidence of IRS tax-exempt status.
2. Not-for-profit entities with extensive community service records may wish to apply for Community Housing Development Organization (CHDO) certification with their Affordable Rental Housing application. If certified as a CHDO, organizations winning HOME funds under this Application may be eligible for operating support in addition to the project-based investment made by HCDD.
3. Applicants and Applicant team members must be in good standing with HCDD on all previous loans or loan commitments. There may be no defaults or negative collection actions. No team members may be “debarred.” There may be no management issues outstanding.
4. Applicants (Owners and Principals) must provide a complete listing with addresses of multifamily properties currently owned or managed. These addresses will be cross-checked with the Neighborhood Protection Service and the FAST team. Applicants with excessive or unpaid nuisance citations will be debarred from participation in this program.

C. Geographic Targeting:

Projects must be located within the City of Houston. Projects located in the zones described above will receive priority for funding.

D. Application Requirements:

1. A complete Application with all Checklist items, presented in notebook form as specified herein.
2. A letter of support from the district City Council Member is required. [Civic club, Super Neighborhood Council, and at-large Council Member letters are encouraged but not required.]
3. Applicant or members of the development team must demonstrate substantial prior experience with the type of project contemplated in the Application.
4. All projects are subject to Davis Bacon Wage Act rates and should budget accordingly. Refer to www.dol.gov/dol/esa/public/programs/dba/index.html
5. Phase I Environmental Site Assessment is required with the Application.
 - a. Should further environmental assessment be warranted, as identified in the Phase I ESA, the City will work with Applicant to determine project eligibility.

II. Selection Criteria

A. Development Capacity

The City believes that capacity is built incrementally. Accordingly, the City will look at the total number of successful projects an Applicant has completed as well as the size of these projects. The City reserves the discretion to refuse funding a project that goes above 20% more than an Applicant's largest previous project.

B. Management Capacity

The City believes that property management skill is critical to the long-term success of an affordable housing project. The proposed property manager, whether in-house or third party, must be identified in the application. The property manager's capacity will be analyzed to determine experience and skill with respect to multifamily property operation. This analysis will include the financial results of Applicant's previous rental projects and a search of nuisance citation records.

C. Leverage

The City wishes to leverage its funds with other sources of affordable housing funds to maximize housing production in the City. Projects with financial support from other sources (beyond all soft costs which will NOT be funded by HCDD) will receive higher consideration than projects that envision no further investment toward the project.

D. Quality of Life

The City encourages the development of housing that provides enhanced amenities such as play areas, clinics or other services useful to tenants.

III. Financing Terms and Loan Limits

A. Loan Amounts

Applicants should make a specific loan request to the City. The request should be the *difference between (a) the Applicant's equity plus commercially available debt or other capital contributions; and (b) the project costs.*

1. As a policy, the City desires to provide enough funding to each approved transaction to increase the availability of affordable units at approved standards without over-subsidizing the project or increasing the risk associated with too much leverage in a project.
2. The final loan amount will be determined during underwriting, and will reflect the amount needed to achieve sustainable affordability for the project. Loan requests may be adjusted up or down to achieve the minimum 1.15X debt to income coverage ratio (net operating income before debt ÷ debt = 1.15) required by underwriting guidelines.

B. Loan Limits:

1. Applicants will not be eligible to receive funding if applicant's total related party loans from the HCDD portfolio would exceed 10% of the total outstanding portfolio of HCDD.
2. Applicants are restricted to one award per year.

C. Terms:

1. Projects must be complete within 24 months of the starting date of the contract.

D. Repayment:

1. Projects selected under this RFP will receive performance-based loans. These loans will be forgiven when all contractual obligations have been met, including:
2. Upon satisfactory completion of construction per HUD requirements or other specified target date, personal liability of the guarantors will be released, subject to the bad acts exceptions.
3. Loans will continue to be subject to repayment should affordability or other covenants be violated.
4. Loans are transferable at property sale, as described below.
5. Loans are payable in full in the event of noncompliance or default that are not remedied by the borrower.

E. Interest Rate: Zero percent interest will be charged.

F. Equity Requirement

Projects should demonstrate a financial commitment by the Applicant in the form of equity.

G. Match Requirements 12.5% of Home Investment

For virtually every dollar of HOME funds drawn down for a project, HUD requires the City of Houston to provide a local 'match' of investment, to demonstrate commitment to a project or program. This liability is subject to change, but currently is at 12.5%. A community's *non-federal contribution of cash, assets, services, labor and other resources of value to the HOME Program represent match credits* and are more particularly described hereunder. To this end, the City encourages Applicants, to the greatest extent possible, to note any and all contributions to a specific project that the City may be able to use as a credit in order to meet its annual match obligation.

H. Affordability Covenants:

1. All projects are subject to affordability restrictions which limit resident incomes and rents paid based on levels of Adjusted Median Income (AMI) established annually by HUD. Information on allowable rents: <http://www.hud.gov>

2. HOME–designated units are restricted to households earning incomes not to exceed 60% of the Area Median Income. CDBG-units are designated as low to moderate rental units. If Applicant is willing to target some units to rent at very-low-income rents (30% of AMI as published by HUD), significant additional hard cost subsidy is available.
3. The City of Houston intends to request that units funded under the CDBG program receive a waiver from HUD regarding rents. It is the hope of HCD that 25% of assisted units will be rented to occupants earning 50% of AMI; and that the remaining 75% of assisted units may be rented to occupants earning up to 120% of AMI. This proposed waiver will assist Hurricane Ike-impacted families. Such a waiver has not yet been received.

I. Security:

1. Documents as required by the City and its attorneys including without limitation, a deed of trust, promissory note, Uniform Commercial Code [UCC] financing statement, assignment of all contracts, leases and rents, and a recorded land use restriction agreement will be required for every loan.
2. **Land use restrictions running with the land will be recorded in higher priority than any first lien made by a commercial financial institution, and will remain in force despite bankruptcy, sale or other adverse event. Subordination agreements from existing lenders will be required.**
3. Borrowers are advised to communicate with their commercial lenders about the higher priority of the land use restrictions for 15 to 20 years.
4. Borrower will NOT be permitted to place subsequent liens against a property either in priority or subordinate to City's lien. No additional debt is allowed without prior written approval by the Director of HCDD.
5. Title Insurance and Flood Insurance will be required.

J. Subordination:

1. HCDD is willing, for acquisition or construction, to subordinate its loan to another lender's lien if required as a condition of that lender's loan commitment. Affordability covenants contained in the land use restrictions will NOT be subordinated.

K. Transferability:

1. Loan commitments are not transferable.
2. Loans are not transferable without prior written consent of the Director of HCDD. The property may be transferred upon assumption of the loan by the new owner, no sooner than three years after completion of the project. A physical property inspection by a qualified outside inspector, at the sole cost of the Borrower, is required. Payment of a transfer fee equal to 1% of loan balance is required.
3. A request to transfer a loan must be made in writing with at least 60 days for HCDD to review such a request. Such a request should include all documentation relevant to capacity of the substitute borrower and any separate property manager.
4. Approval of such a transfer will not be considered until the original borrower has held and managed the property successfully for a minimum of three years post-rehabilitation.

L. Performance Bonds:

1. The contractor shall furnish a performance bond for the full amount of the construction contract conditioned upon the contractor's full performance of the construction contract. OR:
 - i. Deposit certain United States bonds or notes in an amount equal to 10% of the amount of the construction contract. A duly executed power of attorney and agreement authorizing the collection or sale of such United States bonds or notes in the event of default, shall accompany the deposited bonds and notes.
 - ii. Provide an unconditional letter of credit in a form approved by the City Attorney in the amount of 10% of the construction contract.
 - iii. Furnish a certified or cashier's check, bank draft, Post Office money order or U.S. currency in an amount equal to 10% of the amount of the construction contract. The contractor shall make the checks, drafts or money orders payable to the City of Houston.
2. The contractor shall also furnish a maintenance bond to secure the warranty required under the construction contract between the Applicant and the contractor.

3. Payment and performance bonds shall be made payable to the City and the borrower, and be in a form approved by the Director of HCDD. The surety upon the bond must be on the current list of accepted sureties on federal bonds published by the United States Treasury Department and / or on the State Board of Insurance list of authorized insurance companies in the State of Texas.

M. Related Parties

- A. Fees paid to related parties must be fully disclosed at the time of application. Fees must be customary and commercially reasonable, as solely determined by the City.

IMPORTANT NOTE REGARDING ENVIRONMENTAL IMPACT:

Once an application has been received by the Housing and Community Development Department, the total project must be in compliance with all federal environmental regulations as explained under 24 CFR Part 58. During this review period, neither an Applicant nor any participant in the development process, including public or private nonprofit or for-profit entities or any of their contractors, may commit or expend any funds, including non-HUD funds, or undertake any activities having either an adverse environmental impact or limitation on the choice of reasonable alternatives.

If the Applicant does not own the project prior to submitting an application for federal assistance, the Applicant may enter into an option agreement to secure its interest in acquiring the land. This option should be a nominal portion of the purchase price and subject to a determination by the City on the desirability of the property for the project, following the completion of the environmental review.

The environmental review process takes from 60 to 90 days to complete. If any funds [private or public] are spent or committed to a project prior to the completion of the environmental review process, the Housing and Community Development Department cannot provide federal funding for the project.

IV. Application Format

One original and four copies of the Application for funding should be submitted in a 3-ring binder, tabbed into sections. Tabs for each document in each Section are required.

HCD reserves the right to allow correction of minor administrative deficiencies [1-2 pages].
ALL SUBMISSIONS BECOME THE PROPERTY OF HCDD.

V. Application Forms

The following items are to be included in Section I of the Application Binder:

- A. The new Affordable Multifamily Checklist [online] is designed to help Applicants submit a complete Application. It should be checked off as each required document is placed in the submission binder, and signed by the person filing the application on behalf of the Applicant. It is a part of the application. Attach the nonrefundable \$500 application fee to this form [for-profit only].
- B. The Application Forms [online]:
 1. General Purpose Application Form
 2. Agreement and Certifications form signed by an officer of the Applicant
 3. Notarized Indemnity Agreement
 4. Notarized Affidavit of Ownership or Control
 5. Form A: Fair Campaign Ordinance
- C. Narrative Description of Project
- D. Detailed Project Construction / Renovation Budget
 1. This budget should make provision for all handicapped accessibility requirements under the Rehabilitation Act of 1973 (24 CFR Part 8) and 24 CFR 100.205.
 2. For properties built before 1978, lead-based paint hazard reduction should be budgeted to comply with 24 CFR 92.355.
 3. Under the federal Davis-Bacon Wage Act. (40 USC 276a-276-a5, 24 CFR Part 70), prevailing wages must be paid on all construction and related work on projects that include more than twelve (12) HOME-assisted units in a project. These rates are applicable to projects with eight (8) or more CDBG-assisted units.
- E. Sources and Uses of Funds Form including evidence of financial commitments to the

project.

- F. 15-Year Income and Expense Projection [the pro-forma operating budget]
- G. Letter of Support from District City Council Member.
- H. Evidence of Site Control
- I. Project Staffing Plan/Information on Third Party Management
- J. Architect's letter verifying appropriateness of hard construction costs and a statement regarding extension of the life of the property as a result of the upgrades.

The following items are to be included in Section II of the Application Binder:

- A. Market Study- if not located in a Target Zone
- B. Phase I Environmental Study
- C. Appraisals: As-is and As-Completed
- D. Survey
- E. Engineering Soils Report if project envisions teardown/reconstruction.
- F. Borrower's last 2 years audited financial statements and tax returns.
- G. Marketing Plan, including affirmative marketing components.
- H. Photographs or elevations of proposed project.
- I. Architectural plans used to prepare Scope of Work.

The following items are to be included in Section III of the Application Binder for all rehabilitation projects:

- A. Project's prior three years' actual operating results, audited or reviewed
- B. Current project rent roll by unit.
- C. For properties built before 1978, a lead-based paint risk assessment must be performed.
- D. Asbestos report prepared by a state licensed inspector for the property. Report may encompass a typical unit block building, or the entire property.
- E. Title report for project by individual building address.

Application Due Date:

- A. **Applications are due on or before 5:00 pm on ~~March 31, 2009~~ May 1, 2009.**
- B. A nonrefundable application fee of \$500 [for-profit entities only] must accompany the Application.
- C. ***Late Applications will be returned unopened.***
- D. **Applications will be accepted ONLY at the following address:**

**601 Sawyer, 4th Floor
Houston, Texas 77007
Attn: Mr. Donald Sampley**

VI. The Conditional Commitment

Following the receipt and analysis of applications, the Director of HCD, in consultation with senior staff, will approve the issuance of Conditional Commitments for funding to various projects. A Conditional Commitment is a letter stating that the Department recommends funding a project, subject to the development of an appropriate contractual agreement between the City and the Applicant. The Conditional Commitment is a letter that says that the City will proceed with a project in good faith, while reviewing Applicant's *pro forma* and complete application.

Customarily, there will be some conditions attached to the proposed contract. Items, such as environmental hazard abatement, may have to be addressed. Underwriting may also reveal deficiencies in an application that will need to be addressed following the issuance of a Conditional Commitment.

Projects do sometimes fail to materialize after a Conditional Commitment letter is issued. HCD reserves the right to rescind the Conditional Commitment and proceed to the next highest-priority project identified through the most recent application round; or to add the released funds to the upcoming funding round pool, at its sole discretion.

VII. Underwriting and Contract Development

Underwriting encompasses three separate processes:

- A. Evaluation of the construction or renovation budget;
- B. Evaluation of the income and expense [*pro forma*] operating budget;

C. Evaluation of the plan for funding the budget.

Following underwriting, a contract will be developed between the developer and the City. This contract will specify the terms under which the City will provide funding to the project; the number of units to be developed; the term that the units will be maintained as affordable; and other conditions of the agreement.

If the successful Applicant is currently certified as a CHDO, a second contract will be prepared regarding operating support.

Standards are summarized below, and are subject to change from time to time:

Construction Budget:

1. Borrower must use HCD's Construction Budget Form at initial application or a budget that complies with HUD Section 202 requirements.
2. Borrower is responsible for meeting budget within 5% of initial projections. Any excess cost is solely borrower's responsibility to fund through additional equity in project.
3. HCD employees with experience in construction costs will evaluate project budgets. Projects with costs substantially different from standard may need to raise additional third party equity.
4. Construction interest must be a budgeted development expense.
5. A rent-up reserve for operating costs should be provided in the projections for a period not to exceed 18 months.

Operating Budget:

1. 15-year cash flow projection must show debt coverage ratio never falls below 1.15X.
2. Vacancy should be projected at 10%.
3. Projections should include a minimum of 40% of gross potential income planned for operating and maintenance expenses. In addition, \$200 per unit per year should be escrowed for replacement reserves.
4. Management fees are limited to 5% of gross actual income.
5. Escalations for future rent and expense projections will be realistic and will maintain a 1% minimum differential between income and expenses. For example, if income is

projected to increase 2% per year, expenses must increase 3%, and so forth. HUD's Community Planning and Development division sets maximum allowable HOME rents annually, which can be found at www.hud.gov under the subtitle of "HOME rent limits."

6. HCDD staff will monitor Applicant annually to ensure compliance with HUD rent limits, occupancy, and maintenance standards as set forth in the contract. An annual inspection, at the sole cost of the property, will be required.
7. Projects will escrow replacement reserves annually of at least \$200 per unit for every unit within a project. Escrows will be monitored annually by HCD. Release of funds from these escrows will be subject to the approval of HCD as detailed in the specific loan agreement.

Plan for Funding Budget:

1. HCD's Sources and Uses of Funds Form must be completed.
2. Equity sources should be identified and marked "committed" or "requested" in the case of grants.
3. Debt sources should be identified.
4. Outside lender's signed and accepted loan commitment must accompany application.

VIII. Legal

Once a contract has been developed, HCD will request legal counsel to prepare the proper legal documents for the loan.

IX. City Council Approval

Once a contract has been developed, it will be placed on the agenda of the Houston City Council. All contracts must be approved by the City Council. For this reason, a letter of support from the district Council member has been established as a threshold requirement. HCD strongly advises that applicants seek additional letters of support from local civic clubs, neighborhood groups, or the Super Neighborhood Council.

X. Closing and Construction

Following Council Approval of a contract, the closing will be scheduled.

- A. Construction may begin only with the written approval, between the owner and contractor [Notice to Proceed] sent to HCD.
- B. A Release of Funds notification is also required.

XI. Project Completion Review

Project Completion is a term defined by HUD. Upon Project Completion, the following must be reviewed:

- A. Project inspection by a qualified inspector.
- B. Certification that project meets all applicable standards.
- C. Lead-based paint requirements have been met.
- D. Only eligible costs have been paid for with HOME funds.
- E. Costs must be “reasonable and customary” and items paid for must be “suitable.” For example, a bathtub is customary and suitable; a hot tub is not. (42 CFR 130, Subchapter II, Section 212 (e)(2).
- F. Any change orders must be audited.
- G. Contractors must submit:
 - 1. Final invoice.
 - 2. Non-kickback certificate.
 - 3. Waiver of liens.
 - 4. Executed inspection certificates.
 - 5. Warranties.
- H. Contractors cannot be paid 10% retainage until final completion of all forms and certifications.

XII. Initial Rent and Occupancy Monitoring Required by Houston HCD

HUD requires that program funds benefit appropriate households. Accordingly, at initial occupancy, a review of rental activities and tenants is required.

- A. 100% of HOME-assisted units must be rented to families with incomes not to exceed 60% of Area Median Income. 100% of CDBG-assisted units must be rented to Low to Moderate income families.

- B. Tenant files must be established to show tenant eligibility, including:
 - 1. Tenant's application.
 - 2. Income verification documents [wage or income statements].
 - 3. Copy of the HOME limits.
 - 4. Any other document used to establish eligibility.
- C. Tenant leases must not contain any prohibited provisions. Prohibited lease terms may be found at 24 CFR 92.253(b) and 24 CFR 92.253(c).
- D. The Fair Housing logo must be on all marketing materials.
- E. Calculation of rents must be verified and comply with 24 CFR 92.252 [High-HOME and Low-HOME rents, fixed and floating units, and methods of compliance are detailed here].
- F. Managers must ensure that a sufficient number of units are leased or held available to meet the targeting requirements detailed in their contracts.

Full details of HUD regulations, including the amount of rent that may be charged, are available on the HUD website: www.hud.gov.

XIII. Ongoing Monitoring and Compliance

HCD will conduct periodic monitoring reviews of the operations of assisted projects. Monitoring is the primary tool that HCD uses to ensure that federally funded projects are being operated in accordance with program requirements. The following information is presented in outline form, to help applicants understand the ongoing requirements of accepting financial assistance from HCD:

- A. During the affordability period specified in the contract, Applicant will comply with and assist with meeting HUD monitoring requirements.
- B. Properties will be inspected regularly to ensure that they meet or exceed minimum property standards as well as federal standards. HCD will schedule on-site inspections in accordance with 24 CFR 92.504[d](1). This regulation requires inspections a minimum of once every two years. There will be a reasonable inspection fee to be paid by the property owner.
- C. Monitoring will follow a rotating schedule with emphasis on at-risk projects. When a

concern is identified, follow-up inspections will be scheduled to help find a resolution to the problem.

D. Rent and utility allowances will be reviewed annually.

E. Tenant recertification will be required periodically.

APPENDIX A

SHORT GUIDE TO FEDERAL REGULATIONS

Accessibility

Section 504 of the Rehabilitation Act of 1973 requires all programs that are federally supported not to discriminate based upon handicap. HUD has established rules explaining Section 504 as it applies to housing. They are found in the Code of Federal Regulations at 24 CFR Part 8.

For a federally assisted new construction project, Section 504 requires that 5% of the units (or at least one unit) must be accessible to persons with physical disabilities. An additional 2% of units (at least one) must be accessible to persons with visual or hearing disabilities. Projects that are substantially rehabilitated, with related costs exceeding 75% of the replacement cost of the facility, are subject to the same 5% and 2% requirements. Projects that are rehabilitated at a cost less than 75% of replacement cost must make the items funded with federal money accessible individually.

The staff of HCD is prepared to assist applicants with understanding these and other regulations. For quick reference, the following web site answers frequently asked questions regarding accessibility:

<http://www.hud.gov/offices/fheo/disabilities/sect504faq.cfm>

Uniform Relocation Act

The Uniform Relocation Act requires that owner of properties receiving federal funding provide notice and assistance to tenants impacted by rehabilitation or reconstruction of projects. Generally, 90 days written notice to tenants is required. HCD staff will assist selected projects to comply with the URA. Details of the URA are available at the following web site:

<http://www.hud.gov/offices/adm/hudclips/handbooks/cpdh/1378.0/1378chp2CPDH.pdf>

Housing Quality Standards (HQS)

Housing Quality Standards have been developed by HUD to ensure that residents of HUD-assisted properties have a safe, sanitary, and decent residence. Every apartment must have at least a living room, kitchen, and bathroom. A one-room efficiency apartment with a kitchen area is legitimate. However, there must be a separate bathroom for private use by the residents. Generally there must be one living/sleeping room for every two family members.

HUD provides a full checklist, with examples of each item, at the following web location. This checklist is highly similar to the inspection checklist that will be used by HCD during annual project monitoring.

<http://www.hud.gov/offices/adm/hudclips/forms/files/52580-a.pdf>

Income Limits and Setting Rents

Every year, HUD determines Fair Market Rents for each metropolitan area and publishes these rent rates for use in all HUD-funded programs. The following document may be read to learn how HUD does this:

<http://www.huduser.org/datasets/il/il08/IncomeLimitsBriefingMaterial.pdf>

For Fiscal 2009, the following Fair Market Rents have been determined and published by HUD on their web site. This information is subject to change and is presented for informational purposes only. HCD staff is willing to assist applicants determine the correct rents to use in preparing the pro-forma cash flow statements.

METROPOLITAN FMR AREA:

*Houston-Baytown-Sugar Land, TX HMFA.....

(includes Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery counties)

Unit size	0 BR	1 BR	2 BR	3 BR	4 BR
Monthly rent	642	714	866	1154	1451