



**CITY OF BOULDER
DIVISION OF HOUSING**

Funding Program Policies

TABLE OF CONTENTS

- I. MISSION STATEMENT 3
- II. DIVISION OF HOUSING FUNDING PROGRAM..... 3
 - A. Purpose..... 3
 - B. Funding Sources..... 3
 - C. Community Goals for Funding 3
 - D. Uses of Funding 4
- III. FUNDING PROCESS 4
 - A. Background..... 4
 - B. Affordable Housing Fund Round..... 5
 - C. Community Development Fund Round..... 6
 - D. Application:..... 6
 - E. Timeline: 6
 - F. Review: 6
 - G. Appeal Process and Procedures: 7
 - H. Opportunity Fund..... 9
- IV. ELIGIBILITY 9
 - A. Target Populations: 9
 - B. Inclusionary Housing and/or Annexation Requirements:..... 9
 - C. Housing Project Type and Affordability: 9
 - D. Community Development Program Type and Community Impact:..... 10
 - E. Consolidated Plan: 10
 - F. Compliance With Prior Awards:..... 10
 - G. Minimum Award:..... 10
- V. EVALUATION CRITERIA 10
 - A. Consistency: 10
 - B. Management Capacity: 10
 - C. Management Expense: 11
 - D. Community Benefit:..... 11
 - E. Developer Fee: 11
 - F. Predevelopment: 11
 - G. Funding Match: 12
 - H. Subsidy Per Unit: 12
 - I. Community Housing Development Organizations (CHDO):..... 12
 - J. Supplemental Funding: 12
- VI. AWARD ADMINISTRATION 12
 - A. Funding Notices:..... 12
 - B. Funding Agreements:..... 13
 - C. Funds Availability:..... 13
 - D. Security: 13
 - E. Federal Funding Requirements:..... 14
 - F. Insurance: 14
 - G. Income Eligibility: 14
 - H. Compliance: 14

I.	Eligible Expense Modifications:.....	15
J.	Cost Overruns:	15
K.	Funds Recovery:	15
L.	Extensions & Waivers:	15
M.	Housing Affordability	16
N.	Invoice Requirements:	16
O.	Agreement Execution:	16
VII.	FUNDING POLICIES ADMINISTRATION	16

I. MISSION STATEMENT

The mission of the City of Boulder’s Division of Housing, is:

To preserve and provide safe, quality and affordable housing opportunities through regional collaborative community planning and funding of programs.

The division collaborates with nonprofit organizations, for-profit developers, and other departments in the city to develop housing opportunities for people earning low and modest incomes.

II. DIVISION OF HOUSING FUNDING PROGRAM

A. Purpose

The Division of Housing Funding Program (“Funding Program”) provides financial assistance for the creation and preservation of affordable housing, community agency facilities and certain programs that serve extremely low, very low, low and moderate income households within the City of Boulder.

B. Funding Sources

The Division of Housing administers four different funds for the city. They are:

1. Community Development Block Grant (CDBG)
2. HOME Investment Partnerships Program (HOME)
3. Community Housing Assistance Program (CHAP)
4. Affordable Housing Fund (AHF)

The city receives the first two through federal programs and the second two are generated locally. In any given year, amounts available through any funding source will vary. CDBG is the only funding available for non-housing community development projects.

C. Community Goals for Funding

The Division of Housing administers the funding program in accordance with the community goals described in the 2006 Housing and Human Services Master Plan, the Boulder County Human Services Strategic Plan 2008-2013 (both available at http://www.bouldercolorado.gov/index.php?option=com_content&task=view&id=323&Itemid=

[195](#)) and the Boulder/Broomfield Regional Consortium 2010-2014 Consolidated Plan (available at http://www.bouldercolorado.gov/index.php?option=com_content&view=article&id=2635&Itemid=843).

D. Uses of Funding

To pursue the city's goal of having 10% of its residences as permanently affordable to low- and moderate-income people, these resources primarily support the creation and preservation of affordable housing units. In addition, the funds support capital needs of agencies serving low income residents of Boulder and certain related programs.

Each year the city projects how much funding will be available. Affordable housing and community agencies access the majority of the funding through annual competitive applications. Non-competitive allocations include the city's administrative costs, set-asides for ongoing affordable housing programs, and funding to city-operated programs. The city's programs include down payment assistance and a school-based prevention and early intervention program.

The city encourages applicants and potential applicants to explore new ideas for fundable projects with city staff.

III. FUNDING PROCESS

A. Background

The Division of Housing solicits Funding Program applications through two competitive requests for proposals: the Affordable Housing Fund Round and the Community Development Fund Round. In addition, an Opportunity Fund is maintained for unanticipated and/or unallocated funds, returned awards, and other funds identified by the city after establishing the competitive award budget each year. The division will contact those agencies that have shown interest in the program. Agencies and individuals may contact the division to request e-mail notifications. In addition, notification to the public is made through advertisement in local print media. All interested parties are invited to submit a proposal for consideration. Prior to applying, prospective respondents are asked to submit a letter of intent to allow staff to gauge demand and provide technical assistance with funding applications.

The most current application forms may be accessed through the Division of Housing website: www.boulderaffordablehomes.com. Please refer to the application checklist to ensure that a proposal is complete and please follow the submission requirements carefully. Note that any commitments entered into by the applicant prior to an award of funds do not constitute a rationale for an award. Applicants are therefore advised to ensure any and all agreements dependent on an award of city funding contain adequate escape mechanisms to minimize adverse consequences in the event funding is not available or the proposal is not awarded funds.

Please check the Division of Housing website (www.boulderaffordablehomes.com) for the most current funds availability, past awards and other valuable information.

B. Affordable Housing Fund Round

Approximately \$2.5 to \$4 million from the Affordable Housing Fund, Community Housing Assistance Program, HOME program and CDBG has been available each year in the annual application process. Affordable housing awards are made for rental, for-sale, multifamily or single family, new construction, acquisition with or without rehabilitation, special needs housing, rehabilitation and capital improvement projects. Awards may also be made for directly relevant program services, such as housing counseling. All project proposals that include permanent or temporary overnight housing must apply for affordable housing assistance.

1. Development Funding: The Division of Housing anticipates no more than three funding opportunities for a given development project.
 - a. Site Control. Developer applies for funding to secure an identified property and provides a proposed idea or ideas for programming the property, a basic feasibility analysis, and a budget to secure control of the property. This proposal would be an application to the Opportunity Fund (described below) unless the timing matches with a regular fund round. This funding event is not necessary if the developer already controls the land.
 - b. Predevelopment. Developer applies during a regular competitive fund round for predevelopment funding. Application has a specific program plan, an initial project pro forma, and a detailed predevelopment budget. No more than one predevelopment award will be made per project.
 - c. Gap Financing. Developer applies for gap financing to complete a project. The project must demonstrate that it has secured its primary financing (e.g. LIHTC reservation, bonds ready to issue, other equity commitments, etc.) and city planning approval for the project (through site review). Gap financing would be available through either a scheduled fund round or an Opportunity Fund request depending on the project's need. A funding commitment is not contingent on the developer securing other commitments and the project proceeding, however no release of funds will occur until all project funding, both debt and equity, has been committed (e.g. loan commitments, grant award letters, etc.).
2. Capital Improvement Projects: Funding may only be requested for permanently affordable housing. If the property does not have an affordability covenant already, one must be recorded to receive funding.
3. Program Funding: Affordable housing programs (e.g. housing rehabilitation, housing counseling, etc.) that receive funding for three consecutive years may be designated to receive a base level of financial support for subsequent years as a "set-aside" allocation for which the awardee does not need to apply. This designation will be made by staff annually and is subject to TRG (see III F below) recommendation. A set aside award for one year does not guarantee funding in subsequent years. Eligible set-aside awards are issued to ongoing programs only; physical projects are not eligible for set-asides. Set aside awardees

must demonstrate that no material changes to the organization or funded program have occurred to remain eligible for current year funding.

C. Community Development Fund Round

Approximately \$325,000 in Community Development Block Grant funding has been available each year in the annual application process. Awards are made to address the capital needs, including facility acquisition and rehabilitation, of agencies that serve low-income households in Boulder. Facilities providing overnight housing must apply for affordable housing funding.

D. Application:

1. Applications must be complete, meet all requirements and be submitted according to the instructions to be considered. Applicants will be given a single, time-limited opportunity to rectify any deficiencies in a submitted application.
2. Applications must be submitted on or before the posted deadline to be considered.
3. Applicants are required to update their applications with any material changes impacting the project or the organization that occur after the application has been submitted.
4. The current applications and instructions may be reviewed at: www.boulderaffordablehomes.com.

E. Timeline:

To make funds available as soon as possible and meet federal reporting requirements, funding awards are made prior to the city's receipt of program funds. The application process takes place in the second half of the year with funds available in the following year. Generally, applications for funding will be solicited once annually. A general notice will be posted to the division website, announcements will be sent electronically, and notice will be published in a local newspaper at least 15 days prior to the application deadline. Agencies and individuals may contact the division to request e-mail notification. Generally, the housing application period will open mid-June and close at the end of July and the community development application period will open in mid-summer and close in September. Funding decisions are made by the end of the year. Local funds may be available at the start of the year. Federal funds, CDBG and HOME, are generally available in the second quarter.

Division staff are available year-round to assist prospective applicants. During the open application period, applicants are advised that staff resources are more limited and may not be available on short notice. Please plan accordingly.

F. Review:

Funding rounds are very competitive as total requested funds typically exceed the amount available during a given year. Therefore applicants are encouraged to carefully review and seek guidance from the division staff prior to submittal if you have any questions. Upon submission, staff will review all applications for completeness and eligibility, rejecting all deficient applications without further analysis.

To provide community input on funding decisions, the city manager appoints two volunteer advisory committees who provide a range of relevant experience and a variety of skills. The Technical Review Group (TRG) reviews affordable housing applications and makes recommendations to the city manager. The Community Development Advisory Committee (CDAC) reviews community development applications and makes recommendations to the city manager.

1. Initial review. Staff ensures that the application is complete and the basic mandatory evaluation criteria are met. The mandatory criteria are designed to meet local, state and federal compliance requirements, the 10% affordable housing goal, and the division mission statement. Incomplete applications and proposals that do not meet the criteria are not eligible for further consideration.
2. Staff analysis. Division staff reviews the application, asks clarifying questions of the applicants and prepares a staff analysis.
3. Review committee. Staff provides the review committees with all applications that meet mandatory evaluation criteria, the clarifying questions and responses, and the staff analysis for each application. Both committees may request clarifying or additional information before their deliberations. Affordable housing applicants are usually scheduled for oral presentation to TRG to further highlight key elements of the proposal, respond to questions, and clarify any changes to the proposal since the time of submittal. The CDAC typically requests tours of facilities where possible.
4. Preliminary recommendation. Following presentations and tours, if any, the committee evaluates all proposals to determine the extent to which each fulfills community goals. As part of their deliberations, the review committee receives a staff recommendation of full, partial or no funding for each application. Committee members discuss the applications and develop funding recommendations. Recommendations can be for a grant or a loan regardless of the type of funding requested. Applicants are notified of the preliminary funding recommendation and any funding conditions in writing. Applicants may appeal the recommendation as described below.
5. Final decision. Upon the close of the appeal process, recommendations will be forwarded to the city manager to finalize the funding decisions. Boulder City Council is advised of all awards and all applicants are then notified in writing as to the final disposition of their request.

All non-city project and program funding decisions, whether through a regularly scheduled fund round or the Opportunity Fund, follow the same process of staff analysis, staff recommendation, committee analysis, committee recommendation, and city manager approval.

G. Appeal Process and Procedures:

Applicants will be notified in writing of the review committee's recommendation and any funding conditions. Upon notification of a funding recommendation, if an applicant has any

objections to the recommendation and conditions, the appeal procedures provided below must be followed.

1. Contact the Community Investment Program Manager to discuss the objections. While some funding conditions may be modified at the staff level, the funding recommendation must be appealed. The funding recommendation includes whether to fund or not, the amount, and any funding conditions recommended by the review committee.
2. Within seven days of the date of the award recommendation notification, a written appeal must be received by the Community Investment Program Manager. The appeal letter must provide full documentation of any material and significant circumstances that have arisen since the time of application and provide a written description of that evidence and a rationale for the appeal request.
3. The applicant will be notified if the request meets the above requirements for an appeal.
4. The review committee will consider all qualified appeals in a timely fashion.
5. The review committee will make a recommendation regarding the appeal based on the information provided by the applicant, as well as any additional information provided by staff deemed to be relevant.
6. A written notice of the appeal recommendation will be provided to the applicant by the Community Investment Program Manager within two weeks of the appeal meeting.
7. Applicants may make a second and final appeal by submitting it in writing to Division of Housing Manager within seven days of the date of staff correspondence communicating the review committee appeal recommendation. The Division of Housing Manager will take all previous information into consideration including additional material and significant circumstances that have arisen since the time of the appeal to the review committee.
8. A written and final recommendation of the Division of Housing Manager will be provided to the applicant within two weeks of the date of the second appeal request.
9. All appeal recommendations and documents will be communicated to the City Manager for final approval.

It is important to note that only written appeals, submitted within the required timeframes, documenting new circumstances for consideration and providing a rationale for changing recommendations, will be eligible for consideration through the appeal process.

All correspondence may be delivered as follows:

- Mail: City of Boulder, Division of Housing, P.O. Box 791, Boulder, Colorado 80306
- Courier: 1300 Canyon Blvd. Boulder, Colorado, 80302
- Email: hyserk@bouldercolorado.gov

H. Opportunity Fund

The Division of Housing maintains an Opportunity Fund comprised of unanticipated and/or unallocated funds, returned awards, and other funds identified by the city after establishing the competitive award budget each year. Applicants may contact the division at any point during the year to determine whether a specific proposal might be considered outside the regular funding cycle. Generally a proposal must be time-sensitive to be accepted. Although the Opportunity Fund is primarily available for affordable housing, community development funding may be possible in specific circumstances. These funding policies apply to awards from the Opportunity Fund, however, to expedite decision-making, staff may modify the funding decision process.

IV. ELIGIBILITY

All funding requests must demonstrate adherence to minimum eligibility standards in compliance with both local and federal standards. These standards include:

A. Target Populations:

Applicants must demonstrate a proposal that primarily benefits individuals and/or households with documented income that qualifies at or below the most recently published HUD low-income limit for Boulder County, plus 10% of the Area Median Income. The city may establish more specific income or population targets as a funding condition at its sole discretion. Projects and programs receiving federal HOME and CDBG funds must serve households with incomes at or below the HUD low-income limit. Projects and programs receiving CHAP funds must serve people with incomes between 15 – 60% of the Area Median Income.

B. Inclusionary Housing and/or Annexation Requirements:

The city's Inclusionary Housing ordinance requires that new residential development contribute at least 20% of the total units as permanently affordable to households with incomes no more than 10% above the HUD low-income limit *without* city subsidy. The city also requires that properties annexed for residential development provide 40 – 60% of the homes as permanently affordable *without* city subsidy. Projects that propose to develop permanently affordable units in excess of Inclusionary Housing or annexation requirements, or which target lower income households, may be considered for funding. The city does not fund projects which convert required homeownership units to rental units unless they provide extraordinary community benefit.

C. Housing Project Type and Affordability:

The Division of Housing will fund the following types of housing projects: rental, for-sale, multifamily or single family, new construction, acquisition with or without rehabilitation, special needs housing, rehabilitation, and directly relevant services. Funding must be directly attributed to units that comply with locally defined income and affordability standards in mixed-income projects. The definition of 'affordable' is understood to mean that, for renters, no more than 30% of gross monthly income is required for rent, water, sewer and trash. For homebuyers, no

more than 28% of gross monthly income is required for mortgage principal, interest, taxes, insurance and HOA dues.

D. Community Development Program Type and Community Impact:

The types of programs that may be eligible to apply for community development funding must demonstrate direct beneficial impact to low and moderate-income households or neighborhoods. The city directs community development funding primarily to meet the capital needs, including facility acquisition and rehabilitation, of agencies that serve the eligible populations.

E. Consolidated Plan:

In compliance with federal entitlement program requirements, each proposed project will be evaluated to determine the project's contributions to the goals established in the Consolidated Plan adopted by the city. That document may be viewed at www.boulderadffordablehomes.com.

F. Compliance With Prior Awards:

Applicants not in compliance with prior funding agreements and affordability covenants are ineligible to apply. Compliance includes, but is not limited to, submission of all reports, both quarterly and annual, required by the Division of Housing.

G. Minimum Award:

Requests for less than \$10,000 will not normally be considered due to the administrative burden created by small awards.

V. EVALUATION CRITERIA

Applications will be carefully reviewed to determine the extent to which proposals achieve affordable housing and community development goals and any established funding priorities of the city. Additionally, applicants must demonstrate feasibility of the proposal and adequate capacity to achieve the desired outcome. Successful applications should fully consider the following criteria:

A. Consistency:

Applicants must adequately demonstrate the project or program materially supports the goals identified within the city's Consolidated Plan. That document may be accessed through the division website or at the division office.

B. Management Capacity:

Applicants will be evaluated to determine organizational capacity to fulfill the objectives of the proposal by evaluating similar projects, if any, that the applicant has completed. Applicants should describe management capacity of their organization, including skills and knowledge of key program staff and project consultants. Such evidence should demonstrate sound fiscal and

operational practices in delivering upon well defined outcomes. Results of compliance monitoring and performance reporting for previous or current awards are considered key indicators.

C. Management Expense:

Administrative and project management costs for capital improvement projects will be considered based on demonstrated organizational need. Awards for these costs are limited to 2.5% of the project costs and city funding must be matched on a 1 to 1 basis.

D. Community Benefit:

Applicants must provide evidence to show how the proposal will deliver tangible and cost-effective benefit to the overall community, as well as the population targeted by the proposal. Proposals should also define community collaborations to further leverage resources while describing how the proposal will impact (negatively or positively) related activities of other entities within the community.

E. Developer Fee:

A developer fee for projects creating or substantially rehabilitating housing units is permitted, though it may not exceed the following limits expressed as a percentage of the total project cost. Developer fees include all amounts received by the applicant whether characterized as project management, overhead or developer fee. The cost of rehabilitation projects must exceed 25% of the pre-improvement value of the buildings and permanent fixtures. Smaller projects are considered capital improvements and are not eligible for a developer fee.

- Rehabilitation <25 units = 10%
- Rehabilitation >25 units = 5%
- New Construction <25 units = 15%
- New Construction >25 units = 10%
- Acquisition (any size) with rehabilitation = 10%
- Acquisition (any size) without rehabilitation = 5%

If the development will use Low Income Housing Tax Credits, the city will apply the developer fee limits established by the Colorado Housing and Finance Authority, as published in the Qualified Allocation Plan in effect at the time the credits were awarded. Although these are the maximum allowed developer fees, the city may choose to fund a smaller developer fee.

F. Predevelopment:

Affordable housing applicants may request funding for expenses necessary to prepare for project development provided such items are not incurred prior to an award of predevelopment funding. The project budget submitted should include and identify all predevelopment expenses. Predevelopment expenses may include, but are not limited to, architectural renderings, engineering schematics, environmental analysis, property inspection, appraisals, financing application fees, legal review, and market study. Other items may be considered by the division

on a case-by-case basis at the request of the applicant. To be eligible for this type of award the applicant must demonstrate site control. Predevelopment awards for housing projects will be limited to \$5,000/unit with a maximum of \$250,000 for a housing project. Only nonprofit organizations and housing authorities may apply for predevelopment funding.

G. Funding Match:

The city encourages applicants to seek other funding and in-kind contributions from private and public sources to match city funding. Other things being equal, applications with greater matching sources will receive favorable consideration. Although specific matching requirements are not currently defined, the city may implement them in the future. The city prefers not to be the sole source of funding for a project or program.

H. Subsidy Per Unit:

The division recognizes the relative cost per residential unit will vary according to many factors including the target population and project type. While no such standards are explicit within this policy document, applications are evaluated against established criteria such as available cost of funds, debt coverage ratios, vacancy rates, operating expenses, and rent/price reductions below market costs. Maximum subsidy levels are those that are required to fill the financing gap necessary to serve the population targeted, and include all funds, including predevelopment, awarded by the city whether through the Opportunity Fund or the annual fund round. Generally, higher thresholds will be allowed for those projects serving special population groups and those with a high concentration of units reserved for extremely low income residents.

I. Community Housing Development Organizations (CHDO):

Pursuant to the HOME regulations, the division awards at least 15% of HOME funding to eligible CHDO housing projects. CHDOs and nonprofit organizations that might qualify as CHDOs are encouraged to consult with division staff about potential projects in advance.

J. Supplemental Funding:

Following an award for gap financing of a housing project, supplemental funding may be awarded only if the applicant can demonstrate substantial and material changes to the project design or project funding sources.

VI. AWARD ADMINISTRATION

Do not obligate awarded funds until a funding agreement has been fully executed and funding availability has been confirmed by the division staff.

A. Funding Notices:

All successful applicants will receive written notification of funding decisions. Funding notifications are not contracts. Unsuccessful applicants will be notified by division staff and given a summary rationale for the decision.

B. Funding Agreements:

The city and awardees will execute funding agreements that contain all terms and conditions of the award. Awardees must accept all terms and conditions within the specified timeframe. In the event an awardee is unable to make such commitments, funds will be redistributed through the Funding Program.

C. Funds Availability:

All awards are contingent upon the receipt of funds from the federal and/or local sources under which the award is issued. The city assumes no liability to the awardee, its contractors, its agents, or further obligations to the awardee in the event anticipated program funds are retracted or otherwise unavailable for their intended purposes.

D. Security:

The city intends to secure lasting community benefit through its investments of public funds in properties providing affordable housing or community services. To protect against the loss of affordability restrictions in the event of foreclosure, to enable the city to recover HOME and CDBG funds if their repayment to HUD is required, and, in the event a funded property ceases to serve the community, to recover funds invested in order to invest in different properties, awards will have the requirements listed below.

1. Affordable Housing:

- A permanent affordability covenant provided by the city must be recorded on the real property.
- HOME-funded projects will have a 40-year promissory note and deed of trust recorded on the real property for the full amount of the award. At the end of the HOME affordability period, all but \$100 will be forgiven. The terms of the note will be no interest and no payments with the principal due in full upon release of the affordability covenant. At the end of the 40-year term, the city will request a new note and deed of trust for the remaining \$100.
- Projects receiving non-HOME funds will have a 40-year promissory note and deed of trust recorded on the real property for \$100. The terms of the note will be no interest and no payments. At the end of the 40-year term, the city will request a new note and deed of trust for the remaining \$100.

2. Community Development:

- Awards issued to projects involving the acquisition of real property will have a 40-year promissory note and deed of trust recorded on the real property for the full amount of the award. The terms of the note will specify shared appreciation based on the appraised or assessed value of the property at the time of the award.
- The full appreciated amount is due upon sale, foreclosure, or termination of the eligible services or program at the facility. No other payments will be required.
- Shared appreciation debt may be transferred to another property within the city limits in the event the awardee moves its program location.

- Awards issued to projects involving capital improvements to agency facilities will have a 15-year promissory note and deed of trust recorded on the real property for the full amount of the award. The terms of the note will forgive 1/15th of the amount each year.
- The remaining amount is due upon sale, foreclosure, or termination of the eligible services or program at the facility. No other payments will be required.

3. Subordination:

- Promissory notes and deeds of trust listed above will be subordinated as necessary to other project debt, both construction and permanent.
- Following project completion, in the event of a refinance or assumption of additional debt, the city will subordinate its note and deed of trust upon written request and determination by division staff that such subordination will not jeopardize the city's interest in the property.

E. Federal Funding Requirements:

Any award of funds from federal sources may be subject to additional documentation and compliance monitoring requirements. Such requirements will be defined in the funding agreement. Federal requirements may include, but are not limited to:

- Environmental Clearance Review
- Uniform Relocation Assistance
- Davis-Bacon and Related Acts
- Lead Safe Housing

F. Insurance:

All projects involving real property must carry hazard insurance in an amount equal to full replacement value through the full term of the funding agreement and the duration of the promissory note and deed of trust as applicable.

G. Income Eligibility:

Generally, funding recipients **must** require documentation from ultimate beneficiaries of the funding request to verify income status. Documentation may include third party income verification, W-2's, SSI, SSDI, child support and pay stubs. Specific funding sources may require long-term monitoring of income eligibility of beneficiaries. Please carefully review all conditions listed within your funding agreement or contact division staff for further assistance.

H. Compliance:

First-time awardees of funds are required to receive compliance training from division staff.

Prior to the draw down of any funds, city-required legal documents must be executed and the awardee must demonstrate that all funding conditions have been satisfied. During the period of open project activities, quarterly progress reports must be submitted. After a project has been completed, and all funds have been drawn, the awardee must submit annual reports in

compliance with the funding agreement or covenant. Delinquent reporting will result in the suspension of further disbursement of funds.

Periodic site reviews will be conducted by appointment. During the review the general physical condition of the funded property will be inspected and randomly selected client files will be analyzed. A written summary will be sent to the awardee within 30 days of the site review. Any determination of noncompliance will be communicated to the awardee in writing with the required corrective actions and the cure period. Continued or repeated non-compliance will result in the suspension of further disbursement of awarded funds and ineligibility for future funding.

I. Eligible Expense Modifications:

Each project is awarded funding for specific eligible activities. These are stated in a funding notification and the funding agreement. Awardees may request modifications to eligible expenses following the execution of the funding agreement, provided such request is made in writing and includes a rationale for the request. Division staff is authorized to consider modifications of up to 10% of the award or \$25,000, whichever is greater. Larger modification requests must be considered by the review committee and approved by the manager of the Division of Housing.

J. Cost Overruns:

Division staff may increase a funding award by up to 10% of the original award to account for project cost overruns provided all of the following conditions have been adequately demonstrated by the awardee:

- At the time of project funding, the approved budget did not provide for contingency, project management or developer fee items;
- Cost overruns were unanticipated and outside the control of the awardee; and
- The project would be unacceptably compromised without the additional funding.

If all three conditions are not met a supplemental funding application must be submitted by the awardee.

K. Funds Recovery:

In the event awarded funds exceed eligible expenses for a project or program, remaining funds will be recovered and returned to the Funding Program for redistribution.

L. Extensions & Waivers:

Award agreements may be extended at the discretion of division staff upon written request of the awardee. The Division of Housing Manager has the discretion to waive all or certain conditions to an award. The extension or waiver request must provide evidence of unforeseen circumstances and adequate progress in achieving the desired outcomes.

M. Housing Affordability

Affordability limits of funded units will be established according to the submitted application, as modified by any award conditions, and not increased or decreased upon the signing of the funding agreement, affordability agreement, or the awardee's receipt of the funds. Maximum prices of homeownership units will be established in the same manner. Maximum rents will be those in effect at the time of occupancy.

N. Invoice Requirements:

The awardee must provide the following:

1. An invoice or document with: the awardee's name, address and contact information; clear identification of the project; an itemization of the expenses for which payment is requested; a total amount requested; and instructions on how to remit payment.
2. Third party documentation of the expenses if a third party vendor is involved. This documentation must be consistent with the information provided on the invoice. There should be adequate detail of the expenses so the city can establish that they are allowed by the funding agreement and that the costs are reasonable. AIA certification is acceptable when the city has a copy of the contract for the work being certified.
3. If the expenses are being submitted in phases or involve only part of a building/project, either of the above documents should provide addresses for the properties involved.

The city will pay all complete invoice submissions for eligible activities within a maximum of 30 days if the awardee is in full compliance with city funding and affordability requirements.

O. Agreement Execution:

Awardees will sign funding agreements and other documents requiring city signatures first. After receiving the signed original, city signatures will be provided within ten working days. Awardees must allow an adequate time for city signatures. The city will provide the awardee with a copy of the fully executed document unless the awardee provides a duplicate original.

VII. FUNDING POLICIES ADMINISTRATION

The Division of Housing Funding Policies are provided to clarify standards and processes and to enhance communications with participants in the Funding Program. The city values the opinions and perspectives of its partners and will generally provide both advance notice of policy changes and an opportunity to comment on them prior to implementation. However, these policies are subject to change at any time and without advance notice if it is determined to be in the city's best interest to do so. The city will provide electronic notice of any finalized policy changes to its list of interested parties, to which anyone who so requests will be added. A current version of the Funding Policies will be posted on the Division of Housing's website for reference. Any

questions, concerns or requests for changes should be addressed to the Community Development Program Manager.

APPROVED

Jeff Yegian
Manager, Division of Housing

October 23, 2014
Date