

OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
POLICY GUIDELINES FOR NEIGHBORHOOD STABILIZATION
PROGRAM - RENTAL

I. Program Description

The Neighborhood Stabilization Program is designed to improve neighborhoods by reducing the number of abandoned and foreclosed properties. The Office of Housing and Community Development will identify and Non-profit Developers or Subrecipients will take title to the NSP properties. The Non-profit Developer or Subrecipients will rehabilitate the NSP properties and lease them to Eligible Families.

II. Definitions

“Broker” means an individual who possesses a real estate broker’s license and has been hired by or contracted by the Office of Housing and Community Development to identify the properties that will be purchased with Neighborhood Stabilization Program funds.

“CDBG” means the Community Development Block Grant.

“City” means the City of Sarasota.

“City / County Management Team” means the individuals designated by the City Manager and the County Administrator to supervise the Director of the Office of Housing and Community Development as provided in the Interlocal Agreement for the Cooperative Administration of Housing and Community Development Programs or succeeding document.

“Construction” means the construction of a new Neighborhood Stabilization Program Unit or the rehabilitation of a Neighborhood Stabilization Program Unit.

“County” means Sarasota County

“Developer’s Fee” means the payment to the Non-Profit Developer as defined in Section VI of these guidelines.

“Director” means the individual designated as the Director of the Office of Housing and Community Development as provided in the Interlocal Agreement for the Cooperative Administration of Housing and Community Development Programs.

“Eligible Family” means a family who is eligible to participate in the Neighborhood Stabilization Program as defined in Section X of these guidelines.

“Eligible Neighborhood” means an area where Neighborhood Stabilization Grant funds may be used to purchase properties as identified in the Neighborhood Stabilization Program Grant application that was approved by the Department of Housing and Urban Development.

“Non – Profit Developer” means a non-profit entity that has been approved to participate in the Neighborhood Stabilization Program as designated in Section V of these guidelines.

“NSP” means the Neighborhood Stabilization Program, including Neighborhood Stabilization Program 1, Neighborhood Stabilization Program 2 and Neighborhood Stabilization Program 3.

“NSP Property” means an abandoned or foreclosed home, condominium, townhome or multi-family housing complex or development purchased with Neighborhood Stabilization Program funds.

“NSP Unit” means an individual apartment within a Neighborhood Stabilization Program Property.

“OHCD” means the Sarasota Office of Housing and Community Development.

“Seller” means the current owner of an abandoned or foreclosed property being acquired as an Neighborhood Stabilization Program Home.

“Subrecipient” means a public body that has been to approved to participate in the Neighborhood Stabilization Program as designated in Section V of these guidelines.

“Subrecipient Costs” means the payment to a Subrecipient as described in Section VI of these guidelines.

“Subsidy” means the amount of Neighborhood Stabilization Program funds that are used to make the Neighborhood Stabilization Program Property affordable to an Eligible Family.

III. Eligible Uses of NSP Funds

NSP Funds may be used for the following eligible uses:

1. Acquisition of foreclosed or abandoned properties.
2. The costs to rehabilitate an NSP Property, including the installation of energy conservation improvements.

3. The Cost to demolish blighted housing units.
4. Developer's Fees.
5. Subrecipient Costs
6. Soft costs, such as appraisals, surveys and all other due diligence investigations.
7. Other eligible uses as approved by the Director.

All NSP funds must be spent in compliance with NSP and CDBG rules and regulations.

IV. Maximum Investment Per Unit

The maximum amount of NSP funds that may be spent on any one single family or duplex NSP Property is \$185,000 per unit plus the Developer Fee or Subrecipient Costs as described in Section VI and the additional cost of energy efficient improvements or green building materials that exceed the Sarasota Rehabilitation Standards.

For NSP Properties containing more than 2 housing units, the maximum amount of NSP funds that may be spent will be \$150,000 per housing unit plus the Developer Fee or Subrecipient Costs as described in Section VI and the cost of energy efficient improvements or green building materials that exceed the Sarasota Rehabilitation Standards.

When the property is being acquired to be demolished or acquired and density reduced, the maximum amount of NSP funds that may be spent will not include the cost of acquisition or demolition.

V. Non-Profit Developers and Subrecipients

The Director is authorized to designate a non-profit agency as a Non-Profit Developer or a Subrecipient if it meets the following conditions:

1. It is organized under state or local law;
2. It has no part of its net earnings inuring to the benefit of any member, founder, contributor or individual;
3. It is neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization;
4. It must be free to contract for goods and services from vendors of its own choosing;
5. It must have a tax-exempt ruling from the Internal Revenue Service under Section 501(c) (3) or (4) of the Internal Revenue Code of 1986 (26 CFR 1.501(c)(3)(1)), for at least one year;
6. It must have standards of financial accountability that conform to 24 CFR 84.21, "Standards for Financial Management Systems;"
7. It has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as

- evidenced in its charter, articles of incorporation, resolutions or by-laws;
8. It must have a "Certificate of Good Standing" from the Florida Division of Corporations;
 9. It must have demonstrated capacity for carrying out activities assisted with NSP funds. An organization may satisfy this requirement by either having successfully completed similar projects, or by hiring key staff members who have successfully completed similar projects;

The Non-Profit Developer or Subrecipient will be required to perform the following services:

1. Obtaining title to the NSP Property by either:
 - a. Purchasing the NSP Property directly from a seller;
 - b. Accepting the assignment of a purchase contract from the City or County; or
 - c. Purchasing a property from the City or County.
2. In coordination with OHCD, determining the repairs that will be needed on the NSP Property necessary to meet the Sarasota Rehabilitation Standards and the NSP Program rules.
3. Selecting and managing the contractor that will make the repairs. The Non-Profit Developer or Subrecipient must make sure that the contractor costs are reasonable and in compliance with federal law. The Non-Profit Developer or Subrecipient will be expected to conduct regular inspections during the rehabilitation of the NSP Property to insure that the repairs meet the Sarasota Rehabilitation Standards and are made and provide quality control.
4. Receiving invoices from the contractor, making sure that all requested payments are for completed work and submitting payment requests to OHCD.
5. Keeping the lot mowed and the exterior landscaping maintained.
6. Paying the costs on the NSP Property while the Non-Profit Developer or Subrecipient owns the property including the cost of the utilities and insurance.
7. Identifying each Eligible Family that will lease the NSP Property and verifying that they meet the income and other eligibility requirements of the NSP program. Eligible Families only need to meet the income requirements of the NSP Program at the time they initially lease the NSP Property. The Non-Profit Developer or Subrecipient does not need to annually verify the income of the Eligible Families.
8. Arranging for and coordinating the leasing of the NSP Property.
9. When an Eligible Family vacates the NSP Property, identify subsequent Eligible Families and verify that they meet the income and other eligibility requirements of the NSP program.
10. Keeping the NSP Property in good repair.

11. Maintaining insurance on the NSP Property and paying any applicable taxes in a timely manner.

The Non-Profit Developer or Subrecipient will be required to maintain detailed financial and program records related to the Acquisition, Rehabilitation and Lease of the NSP Property to both insure that the City and County are in compliance with all CDBG and NSP rules and regulations and to allow OHCD to evaluate both the performance of the Non-Profit Developer or the Subrecipient and the NSP Program.

VI. Developer's Fee and Subrecipient Costs

1. In recognition that the Non-Profit Developer will incur expenses for the services contained in Section V, the successful Non-Profit Developer will be paid a Developer's Fee. The Developers fee will be \$15,000 for each of the first 4 units in the NSP Property, \$10,500 for units 5 – 10 and \$8,000 for any units in excess of 10. The Developer's Fee will be distributed as follows:
 - a. 50 percent at the time the Non Profit Developer obtains title to the NSP Property.
 - b. 50% percent when the NSP Property is fully leased to Eligible Families.
2. In recognition that a Subrecipient will incur expenses for the services contained in Section V, the successful Subrecipient will be paid for the Subrecipient's Costs to administer the project. The maximum amount of Subrecipient Costs that will be paid will be the actual costs or the amount that they would have received as a Non-Profit Developer, whichever is less. Subrecipient Costs will be paid as the costs are incurred and approved invoices received for those costs.
3. The Non Profit Developer or Subrecipient must establish a capital reserve account for each NSP Property. The initial capital reserve amount must be \$3,000 for each NSP Unit.

VII. Acquisition of NSP Properties

OHCD will use a Broker to identify the properties that will be purchased with NSP funds. All NSP Properties must be located in an Eligible Neighborhood and will be selected based upon the following principles:

1. The proximity to employment opportunities.
2. The proximity to public transportation.
3. The proximity to needed commercial centers.
4. The housing cost to the end user – including whether the unit has

- access to public water and sewer
5. The discount from market value offered by the lender

The Broker will work with the Non-Profit Developers or Subrecipients to identify the NSP Properties that will be purchased and will either prepare a contract to purchase the NSP Properties with the intent of assigning the contract to the Non-Profit Developer or Subrecipient, purchasing the properties and transferring title to the Non-Profit Developer or Subrecipient or having the Non-Profit Developer or Subrecipient directly take title to the property. The Director is authorized to execute any contracts to purchase the NSP Properties and any assignment of the contract to the Non-Profit Developer or Subrecipient.

OHCD must have a current appraisal (not less than 60 days old) before making a final offer to purchase a NSP Property. The amount paid for each NSP Property must be at a discount consistent with federal law. The property acquisition must be made in conformance with federal law and OHCD must disclose the appraisal amount, the amount of the offer and inform the seller that if the purchasing agency is unable to agree on a purchase price that the City or County will not attempt to acquire the property through the use of eminent domain.

NSP Properties more than 50 years old must be reviewed to determine if they are eligible to be placed on the Federal Historic Register. NSP Properties built before 1978 must be analyzed to determine what actions may be necessary to comply with the federal lead based paint regulations.

The seller of each NSP Properties must certify that they complied with the Tenant Protection Provisions applicable to the NSP program.

No NSP Properties may be purchased from the person or entity that will develop the property or any person or entity related thereto.

All single family homes purchased for this program will first be offered to Non-Profit Developers who will use the properties for homeownership before being offered to Non- Profit Developers or Subrecipients as rental properties.

VIII. Assignment to Non-Profit Developers or Subrecipients

The Non-Profit Developer or Subrecipient will take title to the NSP Properties using NSP grant funds for the amount negotiated by the Broker.

The Non-Profit Developer or Subrecipient must demonstrate that it has the capability to receive the NSP Property. Prior to taking title to any NSP Properties, the Non-Profit Developer or Subrecipient must submit to the Director the following information:

1. A marketing plan describing how the NSP Properties will be leased.
2. A project schedule showing that the NSP Properties will be rehabilitated and leased within 6 months.
3. A detailed budget for the project that includes all anticipated costs of the project including the acquisition, rehabilitation and closing costs.

The Non-Profit Developer or Subrecipient will obtain title to the NSP Property and execute a Promissory Note and Mortgage for the amount of the purchase price, closing costs, estimated rehabilitation costs, and an amount established by the Director for any contingency that may occur during the project.

All funds loaned to the Non-Profit Developer or Subrecipient for NSP Properties leased to Eligible NSP families with incomes below 50% of the Area Median Income will be in the form of a deferred payment loan at a zero percent interest rate. When the Non-Profit Developer sells the NSP Property or ceases to lease the NSP Property in conformance with the NSP rules and guidelines the loan must be repaid in full to avoid undue enrichment to the Non-Profit Developer. When a Subrecipient sells the NSP Property or ceases to lease the NSP Property in conformance with the NSP rules or guidelines, the total proceeds from the sale must be repaid to the City or County.

All funds loaned to the Non-Profit Developer or Subrecipient for NSP Properties leased to Eligible NSP families with incomes between 50% and 120% of the Area Median Income will be in the form of a 0% loan with monthly payments. The amount of the monthly repayment will be 60% of the difference between the rent charged and the low HOME rent. When the Non-Profit Developer sells the NSP Property or ceases to lease the NSP Property in conformance with the NSP rules and guidelines the balance of the loan must be repaid in full to avoid undue enrichment to the Non-Profit Developer. When a Subrecipient sells the NSP Property or ceases to lease the NSP Property in conformance with the NSP rules or guidelines, the total proceeds from the sale must be repaid to the City or County.

IX. Rehabilitation Management

The Non-Profit Developer or Subrecipient will be responsible for the award and administration of the rehabilitation contract.

The Non-Profit Developer or Subrecipient shall take necessary affirmative steps to assure that small firms, minority owned firms, women owned firms, and labor surplus area firms are used when possible.

Affirmative steps may include:

1. Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
2. Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
3. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women's business enterprises;
4. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority business, and women's business enterprises;
5. Using the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce; and
6. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.

In conformance with the requirements of Section 3 of the Housing and Community Development Act of 1968, to the greatest extent feasible, Non Profit Developers and Subrecipients must award contracts for work to be performed to eligible business concerns located in or owned by residents of the NSP target area to ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low and very low income persons, particularly those who are recipients of governmental assistance for housing.

The Non-Profit Developer or Subrecipient will select the contractor that will perform the work. Prior to entering into contract with the selected contractor, the Non-Profit Developer or Subrecipient must submit the name of the contractor and any other information needed by OHCD to determine if the contractor has been barred from participating in any federal program. The Non-Profit Developer or Subrecipient must demonstrate that the amount being paid to the selected contractor is reasonable.

The Non-profit Developer or Subrecipient will execute all construction contracts and sign a Notice of Commencement for the NSP Property. All requests for payment from the contractor must be initially submitted to the Non-Profit Developer or Subrecipient for payment. The Non-Profit Developer or Subrecipient will inspect the construction work, make decisions on the quality of work and recommend the approval of all construction payments. OHCD will also inspect the property and approve all payments. If OHCD does not authorize a payment, it will notify the Non-Profit Developer or Subrecipient. Partial payments for completed work shall have a 10% construction holdback. Prior to making any final payments, lien releases must be received from the contractor, all

subcontractors and any business that has provided materials and who has filed a Notice to Owner and all building permits must have been closed out by the local jurisdiction.

X. Eligible Families

To be an Eligible Family a household must meet the following requirements:

1. Each member of the household must be a U.S. Citizen or permanent resident alien.
2. The household must have an income at or below 120% of the County Median Income, as adjusted by family size.
3. The household must begin living in the NSP Property within 30 days after closing.

The Non-Profit Developer or Subrecipient will take applications from households that want to be designated as an Eligible Family. The Non-Profit Developer or Subrecipient will collect and verify the income and assets of the household as well as any other information necessary to determine if the household is qualified to be an Eligible Family and submit that information to OHCD. The final determination of whether a household is an Eligible Family will be made by OHCD

XI. Lease of NSP Properties by Eligible Families

All single family NSP Properties must be rented to Eligible Families with incomes below 50% of the Area Median Income. However in the event the Non-Profit Developer or Subrecipient is unable to find a renter with an income that is less than 50% of the median income; the Director may approve leasing the NSP Properties to a family with an income up to 80% of the Area Median Income. The Non-Profit Developer or Subrecipient will select the Eligible Family that will lease the NSP Units using its written criteria provided it is consistent with the NSP regulations.

The goal for all Multifamily NSP properties will be as follows:

1. Between 33% and 50% of all NSP Units leased to families with incomes below 50% of the Area Median Income.
2. Between 33% and 50% of all NSP Units leased to families with incomes between 50% and 80% of the Area Median Income.
3. Up to 33% of the NSP Units may be leased to families with incomes between 80% and 120% of the Area Median Income.

The maximum monthly rent for units leased to families with incomes below 50% of the Area Median Income will be the higher of:

The low HOME Rent Limit for the HOME Partnership Program as published by the United States Department of Housing and Urban Development less the cost of any tenant paid utilities as published by the Sarasota Housing Choice Voucher Program or

30% of the family's income as determined by the Housing Choice Voucher Program; or

If the family is staying in place, the current rent that the family is paying; or

If the Eligible Family receives assistance from the Section 8 Housing Choice Voucher Program, the amount approved as reasonable by the Sarasota Housing Authority.

The maximum monthly rent for units leased to families with incomes between 50% and 80% of the Area Median Income will be the higher of:

The high HOME Rent Limit for the HOME Partnership Program as published by the United States Department of Housing and Urban Development less the cost of any tenant paid utilities as published by the Sarasota Housing Choice Voucher Program or

30% of the family's income as determined by the Housing Choice Voucher Program; or

If the family is staying in place, the current rent that the family is paying; or

If the Eligible Family receives assistance from the Section 8 Housing Choice Voucher Program, the amount approved as reasonable by the Sarasota Housing Authority.

The maximum monthly rent for units leased to families with incomes between 80% and 120% of the Area Median Income will be the higher of:

The Fair Market Rent as published by the United States Department of Housing and Urban Development less the cost of any tenant paid utilities as published by the Sarasota Housing Choice Voucher Program or

30% of the family's income as determined by the Housing Choice Voucher Program; or

If the family is staying in place, the current rent that the family is paying; or

If the Eligible Family receives assistance from the Section 8 Housing Choice Voucher Program, the amount approved as reasonable by the Sarasota Housing Authority.

XII. Appeal Process

A Non-Profit Developer, Subrecipient or an Eligible Family may appeal a decision of the Director regarding the interpretation of these guidelines to the City / County Management Team. The formal appeal must be submitted in writing and received no later than 30 days after the decision. The formal appeal must contain the following information:

1. The name, address, and telephone number of the person and agency requesting the appeal.
2. A detailed statement of the alleged factual or legal errors made by the Director.
3. The form of relief requested.

The decision of the City / County Management Team is final and may not be further appealed.

XIII. Reduction or Termination of Awards

In the event the Non-Profit Developer or Subrecipient is unable to meet the timeline for the use of NSP funds as outlined in its project schedule in Section VIII or is unable to use the funds for eligible activities, the Director may terminate any unused funding to the Non-Profit Developer or Subrecipient and take action to recover any NSP funds that may have been previously disbursed to the Non-Profit Developer or Subrecipient. Prior to taking this action, written notice must be provided to the Non-Profit Developer or Subrecipient and the Non-Profit Developer or Subrecipient must be given a period of time to correct the problem. In addition, the Director must attempt to meet with the head of the Non-Profit Developer or Subrecipient and offer technical assistance to assist the Non-Profit Developer or Subrecipient to meet the requirements of the program.

XIV. Administration of the Program

The Director will administer the Program consistent with these policies. In the event an affected party believes that the Director or OHCD is not interpreting these policies correctly, the affected party must request a meeting with the Director to discuss and seek resolution of the conflict.

If, following a meeting with the Director, the issue remains unresolved; the affected party will have the ability to appeal the Director's decision as provided in Section XII.

XV. Conflicts with Federal Law

In the event these policies are found to conflict with Federal law or the rules of the Department of Housing and Urban Development (HUD), now or in the future, the Federal law or rules of HUD will take precedence. The

Director is delegated to amend these policies to the extent necessary to make these policies consistent with federal law or the rules of HUD. Within five working days of making any changes to these policies, the Director must notify the City / County Management Team with a description of the changes made to these policies and the reason for any changes.