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## City of Fort Smith, Arkansas

# POLICIES AND PROCEDURES MANUAL

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### Community Development Block Grant Home Investment Partnership Program



# Contents

- INTRODUCTION ..... 2
- Community Development Department Mission..... 4
  - Policy for New Applicants in CDBG and/or HOME Programs ..... 4
  - Faith-Based Organizations ..... 4
- I. Community Development Block Grant Program..... 6
  - A. CDBG National Objectives and Eligible Activity Categories ..... 6
  - B. Subrecipients and Community-Based Development Organizations..... 6
  - C. CDBG Agreement ..... 7
- II. HOME Investment Partnerships Program ..... 8
  - A. HOME Objectives ..... 8
  - B. Subrecipients and Community Housing Development Organizations ..... 8
    - Definitions..... 8
  - C. HOME Agreement..... 9
  - D. Required 25 Percent Match ..... 9
  - E. Community Housing Development Organizations (CHDO) ..... 9
    - 1. CHDO Set-Aside ..... 10
    - b) CHDO as a Sponsor..... 11
    - c) CHDO as Developer or Sponsor..... 11
    - d) CHDO as an Owner ..... 12
    - e) CHDO as a Subrecipient..... 12
    - 2. Operating Expenses in Conjunction with Producing Units ..... 12
  - F. Project Proceeds / Program Income ..... 13
  - G. Low Income Housing Trust Fund (LIHTC) ..... 14
  - H. HOME Layering ..... 15
  - I. HOME Lease/Purchase ..... 15
  - J. City of Fort Smith Residential Housing Facilities Board ..... 15
- III. Applications for Funding ..... 16
- ZoomGrants™ ..... 16
  - A. Community Development Block Grant Application..... 17
    - 1. National Objectives ..... 17
    - 2. Scope of Services..... 17
    - 3. Budget Proposal ..... 17
    - 4. Five Year Consolidated Plan ..... 17
    - 5. Funding Categories..... 18
    - 6. Direct Salaries ..... 19
    - 7. Agency Rehabilitation ..... 19

8.	Mortgages .....	19
9.	Agency Documents.....	20
10.	Certifications.....	20
11.	Displacement/Relocation .....	20
12.	CDBG Match Required.....	21
B.	HOME Investment Partnerships Program Application .....	22
1.	National Objectives .....	22
2.	Scope of Services.....	22
3.	Budget Proposal .....	22
4.	Five Year Consolidated Plan .....	23
5.	Funding Categories.....	23
6.	Deed Restrictions.....	23
7.	Agency Documents.....	23
8.	Certifications.....	23
9.	Qualifications .....	24
10.	Site and Planning Information.....	24
11.	Displacement/Relocation .....	24
12.	Project Market Assessment/Analysis.....	25
13.	Project Underwriting.....	25
14.	CHDO Capacity and Fiscal Soundness .....	26
15.	HOME Program Mortgages .....	27
IV.	Fiscal Management.....	28
A.	Budget Development Process .....	28
B.	Budget Types and Cost Categories .....	28
1.	Public Service Projects.....	28
2.	Development Projects .....	28
3.	New Construction and Acquire/Rehabilitate/Resale.....	30
C.	Budget Revisions.....	30
D.	Fiscal Records .....	31
E.	Expenditures.....	31
1.	Limitation of Expenditures.....	31
2.	Eligible Costs .....	32
3.	Ineligible Costs:.....	33
F.	Reimbursement.....	33
1.	General Programs and Public Services.....	33
2.	Development Projects .....	34
3.	Pro-rating of Expenses .....	34
4.	Expense Review.....	34
G.	Program Income .....	34

H.	Project Proceeds and CHDO's.....	35
V.	Administrative Provisions .....	37
A.	Written Agreement with City .....	37
B.	Environmental Clearance .....	37
C.	Post-Award Responsibilities .....	38
D.	Federal Requirements .....	39
E.	Bonding and Insurance.....	39
F.	Affordability, Resale/Recapture, Refinancing and Subordination .....	39
1.	Duration of Affordability Restrictions .....	39
2.	Termination of Affordability Restrictions.....	39
3.	Recapture Restrictions .....	39
4.	Recapture Option.....	40
5.	Resale Option - Death.....	41
6.	Repayment by Homeowner .....	41
7.	HOME Refinancing / Subordination.....	41
G.	Subrecipient / CHDO Responsibilities.....	41
H.	HOME Downpayment Assistance / New Construction / Reconstruction / Acquire Rehabilitate and Resale First Mortgage Underwriting Requirements for all Homebuyer Assistance with Subsidy Limit .....	42
VI.	Hiring, Procurement and Contracting Procedures and Requirements .....	43
A.	Hiring Guidelines – Section 3 .....	43
B.	Procurement .....	43
C.	Subcontracts .....	45
1.	Review of Subcontracts by City .....	45
2.	Provisions Required in Subcontracts .....	45
3.	Required Subcontractor Documentation .....	46
VII.	Monitoring and Documentation.....	47
A.	Monitoring by City .....	47
1.	Purpose .....	47
2.	Monthly/Quarterly Programmatic Monitoring .....	47
3.	On-Site Visits .....	48
4.	Non-compliance .....	49
B.	Client Documentation by Subrecipient or CHDO.....	49
1.	Required Documentation .....	49
2.	Exceptions to Maintaining Required Income Documentation .....	49

# INTRODUCTION

The City of Fort Smith administers two main sources of federal funding through its Community Development Department (CDD). The Community Development Block Grant Program (CDBG) and the HOME Investment Partnership Program (HOME) are used to support activities which primarily benefit low and moderate income households within our community.

This manual sets forth policies and procedures for the administration of programs and projects funded by the City of Fort Smith CDBG and HOME programs. Although some portions of these procedures are complicated and involve complex Federal regulations and policies, this manual summarizes the essential elements for proper program operation.

No manual can address every type of administrative/accounting problem or situation that may arise during the course of the agreement year; therefore the City's CDD staff is available to respond to requests for clarification or additional information.

In the event that new procedures or policies are implemented during the agreement period, the CDD staff will provide timely notification and technical assistance. This primarily occurs when the United States Department of Housing and Urban Development (HUD) regulations change or a federal policy is issued.

This manual is neither intended to be all inclusive nor so restrictive that it cannot be amended.

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# COMMUNITY PARTNERS LETTER

September 1, 2016

To our Community Partners:

The purpose of this manual is to allow agencies that provide service to the low to moderate income individuals or families of our community to feel more confident to file an application(s) and to administer the CDBG/HOME Programs.

As indicated, no manual can cover every single issue that may arise during the contract or agreement period. This manual will cover basic policies and procedures implemented by the city staff members.

As always, if an issue arises that is not covered in this manual please contact the appropriate staff member for clarification.

Thank you for the services you provide the citizens in our community!

Matt Jennings, Director  
Candyce Waters, Coordinator  
David Smith, Housing Assistance Coordinator

## Community Development Department Mission



*To deliver services to the low to moderate income citizens of Fort Smith in a timely manner while being responsible for administering the costs and charges related to the planning and implementation of community development projects funded, in whole or part, by the Community Development Block Grant (CDBG) and the HOME Investment Partnerships*

## Policy for New Applicants in CDBG and/or HOME Programs

The agency applying must have a history of serving the Fort Smith community, as evidenced by:

- a statement that documents at least one year of experience in serving the community, **OR**
- for newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has a least one year of experience in serving the community.

The parent organization must be able to show one year of serving the community prior to applying to the City of Fort Smith for CDBG and/or HOME funds. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as, developing new housing, rehabilitating existing stock and managing housing stock or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief or childcare facilities. A newly funded agency is required to submit audits for a minimum of three years. **The statement *MUST* be signed by the president or other official of the organization.**

## Faith-Based Organizations

Please note that faith-based organizations are eligible for CDBG, HOME and other HUD funding on an equal footing with any other organization. Organizations competing for HUD funding, including faith-based organizations, will be assessed on their merits and how well they perform eligible activities, not on their religious or secular character.

However, because these are federal funds, faith-based organizations should be aware of the following federal regulations that apply through the CDBG Program on the next page. We have underlined the regulation that should be understood completely before applying to the programs.

§ 570.200 General Policies

(j) Faith-based activities.

(1) Organizations that are religious or faith-based are eligible, on the same basis as any other organization, to participate in the CDBG program. Neither the Federal government nor a State or local government receiving funds under CDBG programs shall discriminate against an organization on the basis of the organization's religious character or affiliation.

(2) Organizations that are directly funded under the CDBG program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the programs or services funded under this part. If an organization conducts such activities, the activities must be offered separately, in time or location, from the programs or services funded under this part, and participation must be voluntary for the beneficiaries of the HUD-funded programs or services.

(3) A religious organization that participates in the CDBG program will retain its independence from Federal, State, and local governments, and may continue to carry out its mission, including the definition, practice, and expression of its religious beliefs, provided that it does not use direct CDBG funds to support any inherently religious activities, such as worship, religious instruction, or proselytization. Among other things, faith-based organizations may use space in their facilities to provide CDBG-funded services, without removing religious art, icons, scriptures, or other religious symbols. In addition, a CDBG-funded religious organization retains its authority over its internal governance, and it may retain religious terms in its organization's name, select its board members on a religious basis, and include religious references in its organization's mission statements and other governing documents.

(4) An organization that participates in the CDBG program shall not, in providing program assistance, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.

(5) CDBG funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. CDBG funds may be used for the acquisition, construction, or rehabilitation of structures only to the extent that those structures are used for conducting eligible activities under this part. Where a structure is used for both eligible and inherently religious activities, CDBG funds may not exceed the cost of those portions of the acquisition, construction, or rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to CDBG funds in this part. Sanctuaries, chapels, or other rooms that a CDBG-funded religious congregation uses as its principal place of worship, however, are ineligible for CDBG-funded improvements. Disposition of real property after the term of the grant, or any change in use of the property during the term of the grant, is subject to government-wide regulations governing real property disposition (see 24 CFR parts 84 and 85).

(6) If a State or local government voluntarily contributes its own funds to supplement federally funded activities, the State or local government has the option to segregate the Federal funds or commingle them. However, if the funds are commingled, this section applies to all of the commingled funds.

# I. Community Development Block Grant Program

## A. CDBG National Objectives and Eligible Activity Categories

The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, is the development of viable communities by the provision of decent housing and a suitable living environment principally for persons of low and moderate income. The City of Fort Smith receives an annual federal entitlement of Community Development Block Grant (CDBG) funds to implement the Act locally.

CDBG funds are used to achieve the following national objectives:

1. To benefit low and moderate income persons.
2. To prevent or eliminate slums or blight.
3. To meet community development needs which have a particular urgency.

CDBG Funds may be utilized for General Programs and Public Services or Development Projects in accordance with the following categories of activities:

- Acquisition of Real Property
- Disposition
- Public Facilities/Improvements
- Clearance
- Public Services
- Housing Rehabilitation
- Reconstruction of Housing
- Planning and Capacity Building
- Program Administration Costs
- Miscellaneous Other Activities

## B. Subrecipients and Community-Based Development Organizations

In order to achieve the national objectives, the City of Fort Smith allocates CDBG funds as determined by the Five Year Consolidated Plan. Available funding is provided to other agencies on an application basis each year.

A **Subrecipient** is a public or private nonprofit agency, authority, or organization which receives CDBG funds from the City to undertake eligible activities. (A subrecipient in the CDBG Program is not the same as a subrecipient in the HOME Program, definitions are found in the HOME regulations)

A **Community-Based Development Organization** (CBDO) is also a Subrecipient, but only a CBDO is specifically authorized to provide certain types of activities. Typically a CBDO carries out neighborhood revitalization activities or energy conservation projects.

Unless otherwise noted, the term “Subrecipient” will be used throughout this manual to denote all entities receiving CDBG funds.

### **C. CDBG Agreement**

Prior to the release of CDBG funds from the City, a written agreement must be executed with the Subrecipient. The agreement remains in effect during any period that the Subrecipient is operating a program or implementing a project in which CDBG funds are being invested.

Agreements not executed by December 31 following project approval will cancel and the agency/organization cannot apply in the following funding cycle. If expenditures are not made by June 30 following the execution of the agreement, the project will cancel and the funds will be transferred to the Fort Smith Housing Rehabilitation Assistance Program.

## II. HOME Investment Partnerships Program

### A. HOME Objectives

The National Affordable Housing Act of 1990 created the HOME Investment Partnerships Act (HOME) Program. This federal program is designed to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary and affordable housing for very low income and low-income individuals or families. The City of Fort Smith receives an annual federal entitlement of HOME funds to implement the Act locally and is defined by federal regulation as a Participating Jurisdiction (PJ).

HOME funds are used to achieve the following objectives:

1. To provide decent affordable housing to lower-income households.
2. To expand the capacity of non-profit housing providers.
3. To strengthen the ability of state and local governments to provide housing.
4. To leverage private sector participation.

Eligible activities are defined in the City's **current 5 Year Consolidated Plan** and includes the primary goal of the City to increase or strengthen homeownership. The categories include:

Homebuyer Activities - New Construction of Single Family affordable homes or existing vacant homes (to be resold)  
Housing Rehabilitation of owner-occupied units  
Other Eligible Housing Activities

### B. Subrecipients and Community Housing Development Organizations

HOME funds are allocated on an annual application basis to entities proposing programs or projects which address the stated HOME objectives contained within the current 5 Year Consolidated Plan.

#### Definitions

A **Subrecipient** is a public agency or non-profit organization selected by the City to administer all or a portion of the City's HOME program. (A subrecipient in the HOME Program is not the same as a subrecipient in the CDBG Program, definitions are found in the CDBG regulations)

A **Developer, Owner or Sponsor** may be any for-profit or non-profit organization or individual (other than a single family owner-occupant) seeking HOME funds for an eligible activity.

A **Community Housing Development Organization (CHDO)** is a private non-profit organization that has among its purposes, the provision of decent housing that is affordable to low- and moderate income persons as evidenced in its charter, articles of incorporation, resolutions or by-laws. A CHDO may apply for funding in the capacity of Developer, Owner or Sponsor, but only CHDO's may apply for the HUD mandated 15% set-aside of local HOME funds. See "CHDO Qualifications Checklist" attached hereto as **Exhibit "A"** for the organizational requirements of a CHDO. A CHDO serves a designated geographic area that can be as large as the entire city or as small as a neighborhood.

Unless otherwise noted, the term "Subrecipient" will be used throughout this manual to denote all entities receiving HOME funds including CHDO's.

### **C. HOME Agreement**

Prior to the release of HOME funds from the City, a written agreement must be executed with the Subrecipient or CHDO. The agreement remains in effect during any period that the Subrecipient or CHDO is operating a program or implementing a project in which HOME funds are being invested.

Agreements not executed by December 31 following project approval will cancel and the agency/organization cannot apply in the following funding cycle.

### **D. Required 25 Percent Match**

In general HOME funds must be matched by non-federal resources, which include but are not limited to: private cash or contributions from organizations, individuals or other sources; in-kind salary or materials; Low Income Housing Trust Fund; or other non-federal sources as defined in Section 92.220. The applicant is required to provide 15% of the project costs from sources other than CDBG or HOME (See Item B. 2. b).

### **E. Community Housing Development Organizations (CHDO)**

CHDOs may obtain funding from a PJ in several different ways. CHDOs may:

- ✓ Serve as owners, developers, and sponsors of projects undertaken with funds from a PJ's required 15 percent set-aside for CHDOs.
- ✓ Receive special assistance, such as development funds, technical assistance or operating funds, from a PJ that is not available to other types of organizations.
- ✓ Perform certain services as contractors to PJs.
- ✓ Contract with PJs in the same ways as other nonprofit subrecipients.

## 1. CHDO Set-Aside

The HOME requirements at 24 CFR Part 92.300 requires PJs to set-aside at least 15 percent of their HOME allocation for projects sponsored, owned, or developed by CHDOs. PJs may allocate more funds for CHDOs, but 15 percent is the minimum amount. A CHDO may also be a subrecipient under a PJ's HOME program; however, the funds committed will not count towards the 15% set-aside requirement. The City of Fort Smith Community Development Department uses at least 15% of its CHDO set-aside funds in its Affordable Housing Programs. The CHDO Qualifications Checklist is noted as **Exhibit "A"**. For purposes of this manual only, a CHDO shall adhere to all requirements required of a HOME subrecipient.

PJs have 24 months after HUD signs the letter for the PJ's HOME agreement to identify and designate the CHDOs they plan to work with and reserve monies for their use. If the required funds are not reserved for CHDO use within this time period, they will be recaptured (returned to HUD).

Funds cannot be reserved for CHDOs before specific projects are identified. For funds to be reserved, a written agreement must be executed between the CHDO and the PJ. The agreement must detail how the monies will be used and the activity location / address / legal description must be in the agreement. The agreement must be project specific and meet the HOME requirement for written agreements found at 24 CFR 92.504 (c)(3).

A certified CHDO must serve as the developer, sponsor, or owner of a HOME-eligible project when using funds from the 15 percent CHDO set-aside. A CHDO may serve in one of these roles for several projects or it may undertake projects in which it combines roles, such as being both an owner and developer.

### *a) CHDO as Developer*

A CHDO is considered a developer when it either owns the property and develops the project or has the contractual obligation to a property owner to develop a project.

**If the CHDO owns the property,** it must obtain financing and rehabilitate or construct the project. For HOME-assisted homebuyer projects, the CHDO must transfer title of the property and the HOME obligations to an eligible homebuyer within a specified time frame of project completion.

**If the CHDO does not own the property,** it must be under a contractual obligation with the owner to obtain financing and rehabilitate or construct the project. Under this arrangement, the CHDO assumes all risks and rewards associated with being the project developer. A written agreement between the CHDO and the property owner must detail the CHDO's specific obligations. For homebuyer

housing, the owner must transfer title of the property and the HOME obligations to eligible homebuyers within a specified time frame of project completion.

**If the CHDO develops the property for an owner pursuant to a written or other agreement** with the PJ, *the CHDO is acting in the capacity of a subrecipient.* CHDOs receiving funds as subrecipients cannot use the funds from the 15 percent set-aside for that particular project or service.

#### **b) CHDO as a Sponsor**

A CHDO may be a sponsor for HOME-assisted homebuyer housing. A CHDO sponsor must always own the project prior to and/or during the development phase of the project.

**For HOME-assisted homebuyer projects** - The CHDO is considered a sponsor when it owns a property and then shifts responsibility for the project to another nonprofit at a specified time in the development process. The second nonprofit, in turn, transfers title, along with the HOME obligations and resale/recapture requirements, to a HOME-qualified homebuyer within a specified time frame. In this situation, the following requirements apply:

- ✓ The HOME funds must be invested in the property owned by the CHDO.
- ✓ The other nonprofit being sponsored by the CHDO must acquire the completed units or complete the rehabilitation or construction of the property.

Upon completion of the rehabilitation or construction, the sponsored nonprofit is required to sell (transfer) the property, along with the HOME loan/grant obligations, to a qualified homebuyer.

This sponsorship role could include a lease-purchase approach, whereby the sponsor would lease the property to a homebuyer for a period not to exceed two years. At the expiration of the lease, the sponsor must sell or transfer the property, along with the HOME loan/grant obligations, to the homebuyer. If the property is not transferred, the sponsored nonprofit retains ownership and resells to an eligible homebuyer.

#### **c) CHDO as Developer or Sponsor**

The CHDO developer and sponsor roles are similar in many ways.

In both roles, the CHDO carries out the principal project development activities, such as acquisition, financing, construction management and assembling a capable development team to bring the project from conception to completion. However, as developer, the CHDO need not own the property. As sponsor, the CHDO must own the property and

shift the responsibility to another nonprofit at a specified time in the development process. This transfer could occur, for example, at the:

- ✓ Initiation of the construction,
- ✓ Completion of the construction, or
- ✓ Issuance of the certificate of occupancy.

**d) CHDO as an Owner**

A CHDO is considered an owner of a property when it holds valid legal title or has a long-term leasehold interest (99-year minimum). The CHDO may be an owner with one or more individuals, corporations, partnerships, or other legal entities.

While a CHDO may be sole owner and have another entity act as developer, it can also be the owner and developer of its own project. The CHDO may own a property in partnership with either a majority or minority interest. However, the CHDO, in partnership with a wholly owned for profit or nonprofit subsidiary, must be the managing general partner with effective control (in decision making authority) of the project.

**e) CHDO as a Subrecipient**

CHDOs may play the role of a "subrecipient," which undertakes all other HOME-eligible activities. Activities performed as a subrecipient cannot be undertaken with, nor do they count toward, the 15 percent CHDO set-aside. Being a HOME subrecipient is not the same as being a subrecipient in the Community Development Block Grant Program. A HOME subrecipient is an entity selected by the PJ to administer:

- ✓ aspects of a HOME Program (i.e., screen projects, market activities, review and certify tenant income, counsel potential homebuyers), or

When a CHDO is acting in the capacity of a HOME subrecipient, *it may not also receive HOME funds to develop, sponsor, or own housing funded through the subrecipient activity it is administering. Doing so constitutes a conflict of interest for the CHDO.* For example, if a CHDO is distributing funds for a Homebuyer or Downpayment Assistance program for a PJ (as a subrecipient), the CHDO may not grant itself money for homebuyer projects it is developing.

**2. Operating Expenses in Conjunction with Producing Units**

Funds are available to provide general operating assistance to CHDOs receiving or which are eligible to receive CHDO set-aside funds for activities. Certified CHDOs may receive funds from PJs to be used for operating expenses. PJs have the option of allocating up to 5 percent of their HOME allocations to provide funds for CHDO operating expenses. This allocation does not count toward the required 15 percent CHDO set-aside funds that are to be used by CHDOs for projects.

It is the policy of the City of Fort Smith that operating expenses to newly formed or existing CHDO's will not exceed three years. The CHDO will then rely on the developers and any marketing fees awarded by the City.

Eligible operating expenses for which CHDOs may use the funds allocated by PJs include:

- ✓ Salaries, wages, benefits, and other employee compensation;
- ✓ Employee education, training and travel;
- ✓ Rent and utilities;
- ✓ Communication costs;
- ✓ Taxes and insurance; and
- ✓ Equipment, materials and supplies.

City of Fort Smith certified CHDOs are eligible to receive operating funding to assist in building capacity with the understanding that units of housing must be produced. For additional information on CHDO Operating Assistance, please contact:

Matt Jennings, CD Director  
Fort Smith Community Development Department  
623 Garrison Avenue; Room 331  
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(479) 784-2209  
[mjennings@fortsmithar.gov](mailto:mjennings@fortsmithar.gov)

## **F. Project Proceeds / Program Income**

The agreement will contain provisions as to what the agency is generating. In general only the term project proceeds will refer to funding generated with HOME funds by CHDO's.

Program Income is generated by subrecipients and the city. For detailed information refer to IV. Fiscal Management, G. Program Income and H. Project Proceeds in this manual.

## G. Low Income Housing Trust Fund (LIHTC)

### Arkansas Department of Finance and Administration Description and General Information

#### *Multi-Family Housing Low-Income Housing Tax Credit Program*

Created by the Tax Reform Act of 1986, the Low-Income Housing Tax Credit (LIHTC) program gave [State and local LIHTC-allocating agencies](#) authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. This program provides incentives for non-profit and profit motivated organizations and businesses to develop housing for low-income persons and families.

Arkansas receives an allocation of approximately \$6.5 million in Low-Income Housing Tax Credits per year. This does not include tax credit developments utilizing tax-exempt bond financing.

#### Program Guidelines

- Tax Credits may be provided to owners of residential rental developments providing low-income housing units. The credits are taken annually for a term of ten years beginning with the tax year in which the development is placed in service or the following year.
- The maximum allowable annual credits are computed so that the annual credits equals approximately 9% of the total development costs, minus the land cost. Developments must be conventionally financed and reserved for low-income residents of newly constructed or substantially rehabilitated developments.
- Tax credits equal to approximately 4% of the total project cost, minus land cost, are available for new construction or substantial rehabilitation developments financed with tax-exempt bond financing and or other federal funds. Acquired developments must be rehabilitated in an amount exceeding \$15,000 per unit, and acquisition of an existing development must meet several requirements to be eligible for tax credits such as not having changed ownership in the past ten years.
- All developments receiving tax credits must comply with income and rent limitations for a minimum of 30 years.

For more information about the Low-Income Housing Tax Credit Program contact:

[Ben Van Kleef](#), Vice President for Housing - 501-682-5927

[Lornea Wells](#), Multi-Family Housing Specialist - 501-682-5998

[Gary Arrington](#), Senior Multi-Family Housing Underwriter - 501-682-5468

## **H. HOME Layering**

Layering is the combining of other federal resources on a HOME-assisted development that results in an excessive amount of subsidy for the development. Such activity is prohibited. The CDD staff will analyze each application to ensure that only the minimum amount of assistance is allocated to the development.

## **I. HOME Lease/Purchase**

Although lease-purchase is allowed by federal regulations, the agreement is the controlling factor in the disposition of units. However, with written permission from the City on a case by case basis, lease purchase agreements will be allowed. These will be used as the exception not the rule. The property would lease to a homebuyer for a period not to exceed two years. At the expiration of the lease, the agency/nonprofit must sell or transfer the property, along with the HOME loan/grant obligations, to the homebuyer. If the property is not transferred, the sponsored agency/nonprofit retains ownership and is then resold to an eligible homebuyer.

## **J. City of Fort Smith Residential Housing Facilities Board**

On December 7, 1982, the Fort Smith Board of Directors created the Residential Housing Facilities Board (RHFB) pursuant to the provisions of Act No. 142 of the Acts of Arkansas of 1975. The RHFB was created for the purpose of making available decent, safe and sanitary residential single family, duplex and multi-family housing for persons and families of low and moderate income (Eligible Facilities) available in the City. The RHFB can obtain tax-exempt financing available under the mentioned Arkansas Act.

### III. Applications for Funding

All organizations requesting CDBG or HOME funds from the City of Fort Smith Community Development Department (CDD) must submit an application which provides a specific proposal for a program or project. An agency or organization may submit no more than two (2) applications per category. The fiscal year for the programs is July 1 - June 30 and is commonly called the Program Year.

#### ZoomGrants™

The City of Fort Smith now uses the ZoomGrants Program to manage applications and any awarded grants. The organization must first set up an account with ZoomGrants by going to the following webpage: <http://www.fortsmithar.gov/communitydevelopment/default.aspx> Once the account has been setup, the process is described within the program and the city will provide technical assistance during the open application time period.

CDD staff issues a “Notice of Funding Availability” and accepts applications only once each program year. This is to allow CDD staff to review each proposal and prepare for public hearings with the Community Development Advisory Committee (CDAC). Any application that does not have all required documents by the deadline established will be considered non-responsive and will not be presented to CDAC for consideration.

CDAC will hold a study session one week prior to the three public hearings held on one day generally in late-February / early-March. Each agency is required to present the application at one of the hearings and is required to attend the 5:30 p.m. meeting after the public hearing is closed with the exception of Public Service projects. Mandatory attendance for the other categories will allow CDAC members to ask questions for more complex projects and for potential funding negotiations. The agency/organization must have an official in attendance authorized to negotiate for project funding. There is a five minute presentation time limit per application submitted by the agency during the public hearings.

Each application is rated by each individual CDAC member and averaged at the conclusion of the last public hearing through the ZoomGrants program. These ratings are then used by CDAC to formulate funding recommendations. Rating sheets are online for each category of applications to understand how the projects are rated. At the conclusion of the last public hearing, the CDAC completes the ranking of applications in the category and prepares funding recommendations to the Fort Smith Board of Directors.

The City Board of Directors will review the CDAC recommendations in a study session and a voting session that occurs usually the last of February and the first voting session in March. The voting

session will have a final public hearing for project recommendations and for CDBG / HOME Performance before the City Board of Directors and at the closing of the hearing will vote on the funding of projects from both programs.

## **A. Community Development Block Grant Application**

### **1. National Objectives**

Organizations requesting CDBG funds must meet one of the national objectives for the proposed project or activity submitted. All projects or activities will benefit low- and moderate income persons. (National Objectives on Page 6)

### **2. Scope of Services**

The applicant must submit a clear and concise narrative description of the proposed project or activity, which includes quantifiable goals and objectives, methods of approach and an implementation schedule.

### **3. Budget Proposal**

Due to greater reporting responsibilities, it is important that the applicant includes all multiple sources for the activity or project. Additionally, leveraging other funds will get more total points in the ranking criteria. Examples would be:

a) a project that provides case management to the homeless: \$15,000 CDBG funds, \$15,000 United Way and \$5,000 in cash.

b) a project to provide dentures for LMI persons and dentist office visits. The agency would show only the other funding sources for those two items NOT the entire budget as sources: \$28,000 CDBG, \$30,000 private foundation, \$10,000 United Way and \$5,000 fundraiser.

c) a project to re-roof a non-profit agency office where services are provided to LMI persons: \$13,000 CDBG and \$10,000 agency funds.

d) a project to purchase land for an affordable housing project: \$150,000 CDBG, \$30,000 agency funding and agency bank loan: \$3,000,000 (the entity must describe the sources for how the entire project will be constructed). Land banking is not allowed, for information about what the definition of a land bank is go to: <https://www.hudexchange.info/resources/documents/LandBankingBasics.pdf>.

### **4. Five Year Consolidated Plan**

Although many activities or projects are allowed by regulation, applicants should be aware that the application must meet one of the goals, objectives and strategies as detailed in the current Five Year Consolidated Plan. It is a factor in the ranking process.

Other activities may be proposed in an application but will not likely be funded, in particular with the competitive applications proposed by other agencies meeting the City's goals, objectives and strategies. The City of Fort Smith will provide up to 25 free copies of the Five Year Plan available to entities, neighborhood associations or individuals upon request. The Consolidated Plan can also be viewed by going to [www.fortsmithar.gov](http://www.fortsmithar.gov) and then go to the Community Development Department page under the Misc. Community Development Documents tab.

## 5. Funding Categories

The funding categories for CDBG consist of a) Homelessness, b) Public Service and c) Community Development. The CDD staff will monitor applications as they are being submitted and should an application be filed in Homelessness that is for Public Service, the CDD staff will give the agency time to correct the application, provided that it is filed ahead of the deadline and staff has time to review it and then it is resubmitted prior to the deadline.

### *a) HOMELESSNESS*

Apply in this category if the agency is proposing to expand shelter facilities, support transitional housing opportunities or develop permanent supportive housing units for homeless or special needs populations. Project or activities that serve the homeless such as case management, operating expenses, kitchen utensils or dishes (primarily anything that does not attach permanently to the building) for an emergency shelter *must be applied for in the public service category*. When applying in this category, realize that it must be a permanent fixture to a building, construction or rehabilitation. For example: security cameras are allowed, telephones would require an application in public service, built in-beds - allowed, case management - public service. **If in doubt, contact the CDD staff early in the application process.**

### *b) PUBLIC SERVICE*

Apply in this category if the agency is proposing a direct service activity to a LMI person or family such as emergency food, dentures, a prescription, medical or baby supplies. In this category there is a \$5,000 minimum and \$20,000 maximum application request. Also eligible is a fee charged out per LMI person for services such as case management, credit repair, medical, dental or adult daycare. Utility payments will be considered only if it is a structure occupied by LMI persons. *Utilities for administrative offices are not eligible*. In example: Utilities for supportive housing for homeless persons is allowed. The utilities for a free standing administrative office building are not allowed. Telephone service and long distance service for administrative offices is not allowed. A telephone system for an emergency shelter which can be used by LMI persons is allowed. **If in doubt, contact the CDD staff early in the application process.**

### ***c) COMMUNITY DEVELOPMENT***

Apply in this category if the agency, a neighborhood organization or individual is proposing infrastructure improvements to an existing neighborhood, parks improvements or sidewalks in an LMI designated area. Additionally, projects to rehabilitate a non-profit agency's building (that traditionally serves LMI persons with activities/services). Rehabilitation activity examples are: roofing, restroom renovations to comply with the American with Disabilities Act, and replacement of electrical or plumbing systems, etc. This category also funds the City of Fort Smith owner-occupied housing assistance program. Other eligible activities or projects examples would be to purchase land for an affordable housing subdivision and/or the public infrastructure to develop the subdivision. Again the key is the Goals, Objectives and Strategies in the Five Year Consolidated Plan. **If in doubt about a project type, contact the CDD staff early in the application process.**

#### **6. Direct Salaries**

The federal regulations allow for the charging of direct salaries on certain activities, however, it has long been the city policy (due to the State of Arkansas Constitution) and will continue that the services being provided to LMI persons will be as close to a direct benefit as possible. No direct salaries will be funded from CDBG. Direct salaries to operate the activity or project will be funded from other sources. The public service category will allow for fee charges for services provided for each LMI person such as homeless case management or dental services (such as the removal of a tooth).

#### **7. Agency Rehabilitation**

It is the policy of the City of Fort Smith that CDBG funds **will not be granted in excess of 60% of the value of the building.** (Direct Homelessness facilities may be up to 100% funded, if recommended and approved) The agency may submit a current appraisal, an official insurance company valuation or a copy of the Sebastian County Tax Assessor's office for the valuation of the property (nonprofits are rarely assessed because they are tax exempt). An older appraisal may still be used if the agency is not nearing the 60% cap of CDBG funding in the building. A list of funds received in the past is included online for review during each year's application process. Previous funding will be counted by the agency and the address. Due to federal regulations, the CDD staff will administer these project types. ***Call the CDD staff early in the process to determine if the property is in a designated flood plain and for zoning information.***

#### **8. Mortgages**

It is the policy of the City to place a mortgage on the property for the amount of CDBG funds spent on the rehabilitation, acquisition of an existing building or new construction. These mortgages will be for agency rehabilitation and homelessness activities. As stewards of the tax money, we place the mortgage to insure that the agency will use the building for the purposes of the service provided to LMI or Homeless persons for a period

of at least 10 years. The mortgage will be calculated on the amount of CDBG funds used for construction, architectural services and advertisements for bids. The mortgage will be forgiven at the rate of 10% per year over the ten year period.

## 9. Agency Documents

All agency documents will now be uploaded into the ZoomGrants program. The documents include:

- ✓ The Charter or mission statement of the organization
- ✓ Documentation of non-profit status
- ✓ Articles of Incorporation
- ✓ Identification of Board of Directors (update when changes occur)
- ✓ Identification of official authorized to negotiate and enter into agreements or request amendments (resolution or board minutes)

## 10. Certifications

### a. *Certification of Application*

The applicant's Board of Directors must certify that if its proposal is approved and funded by the City, all relevant federal, state and local regulations will be adhered to. In addition, the applicant must verify that it is fully capable of fulfilling the obligations related to its proposal.

### b. *Certification of Affiliation*

All members of the agency's Board of Directors, officers, workers or members of the organization who are an appointed member of the city Board of Directors, a city committee or who are city employees must be identified.

### c. *Compliance with Civil Rights Act and Americans with Disabilities Act*

The agency must have written policies prohibiting discrimination in employment and the implementation and operation of the proposed programs or services. The applicant must certify that the applicant's programs, projects, services and physical facility are accessible to persons with disabilities.

## 11. Displacement/Relocation

The City of Fort Smith discourages projects involving displacement or relocation. Prior to application contact the CDD staff if your agency is planning any project that may involve displacement or relocation.

**12. CDBG Match Required**

Any CDBG application filed by an organization must have a 10% match from other resources. If the application does not contain the minimum match, it will be considered to be non-responsive and will not be reviewed by CDAC.

## B. HOME Investment Partnerships Program Application

### 1. National Objectives

Organizations requesting HOME funds must meet the national objectives for the proposed homebuyer project or activity submitted. All projects or activities will benefit very low and low income persons. (National Objectives on Page 8)

### 2. Scope of Services

- a. A CHDO / Subrecipient / Developer applicant can have no more than three (3) open agreements with the PJ.
- b. The applicant must submit a clear and concise narrative description of the proposed project or activity, which includes quantifiable goals and objectives, methods of approach and an implementation schedule. All projects except for downpayment assistance will require the applicant to include a minimum of 15% of funding sources other than from HOME or CDBG into the project.
- c. The applicant will provide the information in the blanks of the appropriate checklist depending on whether the organization is applying as a CHDO (**Exhibit "M"**) or a Subrecipient (**Exhibit "N"**) and submit the required back-up documentation. Additionally, if the project is 5 units or more of affordable housing, a full market analysis will be done in accordance with Paragraph 12. b. below. Due to time constraints in the funding process, any missing documentation will deem the application to be nonresponsive and will not be reviewed further by the PJ or the Community Development Advisory Committee (CDAC).

### 3. Budget Proposal

Due to greater reporting responsibilities, it is important that the applicant includes all multiple sources for the activity or project. Additionally, leveraging other funds will get more total points in the ranking criteria. Examples would be:

- a. a project that provides 6 units of affordable housing for LMI person(s): \$200,000 HOME Funds, \$150,000 Bank Loan and \$50,000 in agency funds.
- b. a project for Downpayment Assistance for 20 units for LMI persons: \$115,000 HOME, \$1,600,000 private loans(22 units times an average of \$80,000 per unit), \$15,000 staff time as an in-kind donation from the agency.

- c. a project to acquire an existing home/ rehabilitate it and the resell it to qualified LMI household: \$60,000 HOME, \$20,000 bank loan and \$10,000 staff time as an in-kind donation from the agency.

#### 4. **Five Year Consolidated Plan**

Although other activities or projects are allowed by regulation, applicants should be aware that the application must meet one of the goals, objectives and strategies as detailed in the current five year consolidated plan. It is a factor in the rating process. Other activities may be applied for in an application but will not likely be funded, in particular with competitive applications by other agencies that do meet the goal, objectives and strategies. The City of Fort Smith will provide up to 25 free copies of the Five Year Plan available to entities, neighborhood associations or individuals upon request. The Consolidated Plan can also be viewed by going to [www.fortsmithar.gov](http://www.fortsmithar.gov) and then go to the Community Development Department page and click on the Misc. Community Development Documents tab.

#### 5. **Funding Categories**

Due to the limited amount of HOME funding, the City's primary goal is to encourage renters to become homeowners in the City and is reflected in the goals of the Five Year Consolidated Plan for various type of homebuyer projects or activities.

#### 6. **Deed Restrictions**

It is a requirement of the federal regulations that an appropriate deed restriction be placed on the property for the amount of HOME funds invested in the property. The sample deed restrictions will be attached as an exhibit to the agreement and are available in electronic file by contacting a CDD staff member.

#### 7. **Agency Documents**

All agency documents will now be uploaded into the ZoomGrants program. The documents include:

- ✓ The charter or mission statement of the organization
- ✓ Documentation of non-profit status
- ✓ Articles of Incorporation
- ✓ Identification of Board of Directors (update when changes occur)
- ✓ Identification of official authorized to negotiate and enter into agreements or request amendments (a resolution or board minutes)

#### 8. **Certifications**

##### ***a. Certification of Application***

The applicant's Board of Directors must certify that if its proposal is approved and funded by the City, all relevant federal, state and local regulations will be adhered

to. In addition, the applicant must verify that it is fully capable of fulfilling the obligations related to its proposal.

**b. *Certification of Affiliation***

All members of the agency's Board of Directors, officers, workers or members of the organization who are an appointed member of the city Board of Directors, a city committee or who are city employees must be identified.

**c. *Compliance with Civil Rights Act and Americans with Disabilities Act***

The agency must have written policies prohibiting discrimination in employment and the implementation and operation of the proposed programs or services. The applicant must certify that the applicant's programs, projects, services and physical facility are accessible to persons with disabilities.

**d. *Certificate of Good Standing from the Secretary of State***

The agency must provide a certificate of good standing from the Arkansas Secretary of State with the application and can be no older than 45 days from the application deadline. The only exception to this provision is a unit of government.

**9. Qualifications**

The applicant must submit the following information outlining its affordable housing credentials:

- a. Experience in the development and management of affordable housing including references.
- b. A narrative description of the development plan for the proposed project demonstrating full understanding of the work and the challenges. Describes the property value / sales prices that are competitive, the homes features fit the target buyer and the methods to reach buyers such as whether the agency will use a realtor or marketing staff, the advertising methods both paid and free and direct promotion through local organizations, stakeholder, social media, etc.

**10. Site and Planning Information**

The applicant must submit information concerning the project site (if the site has been selected but not encumbered) including, but not limited to flood plain, planning, zoning and subdivision requirements and applicable permits.

**11. Displacement/Relocation**

The City of Fort Smith discourages projects involving displacement or relocation. Prior to application, contact the CDD staff if your agency is planning any project that may involve displacement or relocation.

## 12. Project Market Assessment/Analysis

- a. Applications for proposed projects containing 4 single family units or less of affordable housing will be subject to a market assessment with the minimum standards contained within the checklist located at **Exhibit "M"** or **"N"** depending on whether the applicant is a CHDO or Subrecipient.

A market assessment may be completed by the organization applying for the HOME funds within 60 days of filing the application. The CDD staff will review the assessment upon application submittal.

- b. Applications for proposed projects containing 5 single family units or more of affordable housing will be subject to a full market analysis prepared by an independent party with the minimum standards located at **Exhibit "O"**. The appropriate analysis will be submitted with the application by the announced deadline.

The market analysis prepared by a consultant will be paid for by the organization applying for the HOME funds. The analysis will be dated or updated within 60 days of filing the application. The CDD staff will review the analysis upon application submittal.

The PJ will hold workshops to inform potential applicants of these requirements.

## 13. Project Underwriting

Recognizing that the City of Fort Smith, as a PJ does not receive a substantial amount of HOME funds to warrant a major project underwriting process, the following guidelines will apply to distinguish the proposed projects between project size, scope and complexity:

- a. An underwriting assessment for proposed projects with 4 units or less of affordable housing will be completed by the CDD staff upon application submittal.
- b. An underwriting analysis will be performed by CDD staff for proposed projects with 5 units or more of affordable housing upon application submittal.
- c. A minimum HOME investment of \$1,000 is required for any HOME assisted single family unit. The maximum cost of an affordable newly constructed single family housing unit will not exceed \$150,000. The HOME maximum investment for new construction and acquisition/rehabilitation/resale will not exceed \$130,000.

- d. The PJ will allow organizations with executed agreements and environmental clearance can begin construction upon proof that the single family housing unit is presold.
- e. If the organization desires to build a new construction “spec” home or rehabilitate an existing single family home it is permitted, however, an irrevocable letter of credit or surety bond in the full amount of the HOME funds to be used for construction is placed and approved by the PJ. If the home has not sold within nine months after the activity becomes FD in IDIS, the city will notify the organization on the eighth month to allow a 30 day notice. The organization may then choose to write a check for the full amount of HOME funds payable to the Fort Smith HOME Investment Trust Fund or the city will use the letter of credit or bond to repay the full amount of HOME funds expended into the city’s HOME Investment Trust fund account.
- f. The organization is also encouraged to consider a lease/purchase option prior to the nine month expiration which is described at II. I. HOME Lease/Purchase in this manual.
- g. Once the building permit has been obtained, the agency has nine months from the permit date to receive the Certificate of Occupancy for new construction or the final payment for rehabilitation.
- h. The requirements for a Project Underwriting Analysis will be provided if or when a project requires the more complex review.

#### ***Homebuyer Project Underwriting Assessment***

Homebuyer first mortgage suitability, acceptable terms/structure of the first mortgage with the minimum and maximum lending ratios are located under the “V. Administrative Provisions” chapter in Paragraph “H”. All homebuyer assistance will adhere to these policies and use **Exhibit “P”**.

#### **14. CHDO Capacity and Fiscal Soundness**

There are two times when CHDO capacity and fiscal soundness will be checked:

- a. on January 31<sup>st</sup> of each year (see **Exhibit “A”**) if the CHDO does not file a new proposed project application and has an open agreement(s) or
- b. if the CHDO files a new application in the annual funding cycle, then an appropriate CHDO Project Evaluation and Underwriting Assessment/Analysis will be performed (see **Exhibit “M”**).

**15. HOME Program Mortgages**

All subrecipients and CHDO's will place mortgages in favor of the City of Fort Smith for any home that is newly constructed or acquired and rehabilitated that is HOME assisted. Once an income qualified homebuyer is purchasing the home, the city will issue a mortgage release for the closing.

## IV. Fiscal Management

### A. Budget Development Process

1. Identify all funding commitments received from all donors and funding sources.
2. Identify an amount of CDBG or HOME funds to be requested from the City.
3. Identify all activities and expenditures to specific funding sources.

### B. Budget Types and Cost Categories

#### 1. Public Service Projects

These project types most often purchase goods to be given to LMI persons as a direct benefit.

- a. Purchase of *goods and services* shall be subject to the City of Fort Smith Procurement/Purchase ordinance as amended. A brochure will be given to any funded agency for easy reference.
- b. Each item will be prioritized in the application to determine the highest priority to the CDAC and City Board of Directors. Should an agency be funded for less than the amount requested, each *priority* will be funded by the order in which the agency requested. If the agency does not desire this method it must communicate in the application the method to be used.
- c. *Equipment Purchase* - Purchase of equipment essential for the operation of the program or project (in an instance where it is more cost effective rather than rent it). This includes any item with a useful life of more than one year and a cost greater than \$500. Purchase of equipment requires prior City approval.
- d. *Audit Fees* - Programs or projects funded for \$75,000 or more are required to have an independent audit performed. A portion of the fee related to the percentage of funds expended by the non-profit may be allocated and charged to the grant request, if available.

#### 2. Development Projects

The cost categories associated with this budget pertain to expenses involved with the financing, management and construction of affordable housing or homeless projects (see **Exhibit "C"**):

- a. *Site Acquisition* - Normal cost associated with acquisition of raw land.

- b. Closing Costs** - Fees, points, interest, or other costs to finance acquisition or construction.
- c. Architecture and Engineering** -Normal fees and costs for professional design services to prepare plans and specifications.
- d. Site Work** - Costs normally associated with preliminary site construction work: grading, underground utilities, soils report, environmental remediation.
- e. Fees and Permits** - Costs for design review, building, planning or other required permits.
- f. Construction Management** - Consultant or other costs to provide construction management services.
- g. Construction Agreements** - All fees included in primary and sub agreements.
- h. Consultants** - All consultant fees including environmental testing or other specialty consultants.
- i. Interest** - interest paid on construction loans.
- j. Legal** - Costs for legal services.
- k. Financing costs** - Miscellaneous costs not included elsewhere but necessary to finance the construction costs.
- l. Taxes/Insurance** - Property or other taxes required for the property during the construction period and costs of all required construction insurance.
- m. Marketing** - Costs associated with marketing the affordable housing project or attaining rent-up and occupancy for a homeless project such as transitional, permanent supportive or single room occupancy units.
- n. Operating Reserve** - May be included for a specified period of time. The maximum operating reserve allowance for homeless projects such as transitional, permanent supportive or single room occupancy units which is to be determined in accordance with HUD regulations.
- o. Developer Fee** - Any fees or other charges due to the developer on completion of the project.

### 3. **New Construction and Acquire/Rehabilitate/Resale**

The City will allow a subrecipient or CHDO to begin construction upon proof that the single family housing unit is presold. If the subrecipient or CHDO desires to build a new construction “spec” home, it is permitted, however, an irrevocable letter of credit or surety bond in the full amount of the HOME funds to be used for construction is placed with the City and approved by the City. If the home has not sold within 9 months of the Certificate of Occupancy, the city will notify the organization on the eighth month to allow for a 30 day notice. The subrecipient or CHDO may then choose to write a check for the full amount of HOME funds payable to the Fort Smith HOME Investment Trust Fund or the city will use the letter of credit or bond to repay the full amount of HOME funds expended into the city’s HOME Investment Trust fund account.

However, if the agency fully expends all HOME funds (on spec or presold home) and the address shows FD (funds drawn) in IDIS it has 90 days to complete the sale and have the PJ enter the beneficiary information through **Exhibit “J”** otherwise it will be subject to repayment to the city’s HOME Investment Trust fund account. The PJ will give a 30 day notice.

If the project is to acquire an existing single family unit, rehabilitate it and then sell it to an income qualified homebuyer, the subrecipient or CHDO will place a for sale sign on the property at approximately 80% rehabilitation completion. If the home has not sold within 90 days of the final draw of HOME funds, the city will notify the organization at 60 days to allow a 30 day notice. The subrecipient or CHDO will write a check for the full amount of HOME funds payable to the Fort Smith HOME Investment Trust Fund.

### C. **Budget Revisions**

Once a project is approved and a grant agreement is executed, the city will allow modifications to approved budgets but must be directly related to changes in project services and activities.

To implement a budget modification in General Costs, the Subrecipient must submit a written request which identifies the reasons for the adjustment. The request must be specific as to which line items are to be increased and which are to be reduced.

Specific Costs may be modified only upon authorization from the City. A request for adjustment in this area must be in writing and must identify the reasons for the specific changes and resultant line item changes.

Development Project budgets may also be modified upon submission of a written request and subsequent approval by the City.

The Director of the City of Fort Smith CDD or the Community Development Coordinator shall have the authority to grant or deny requests for budget revisions. The City will issue a written decision within 7 business days of receiving the request.

## D. Fiscal Records

Organizations receiving CDBG or HOME funds must keep the following fiscal records:

### *Bookkeeping Journals and Ledgers*

Cash receipts journal, cash disbursements journal, expense journal, general journal, and general ledgers must be maintained. Back-up documentation for the journal entries must be kept and properly filed. Documentation must include: invoices, bills and other receipts, deposit slips, bank statements, check stubs, check books, canceled checks, purchase orders, petty cash records and other verification as applicable.

### *General*

Agencies/subrecipients using volunteer or employee hours for in-kind match must keep signed time records by the day indicating actual time donated.

The Subrecipient shall maintain a system of internal control in accordance with generally accepted accounting practices. Internal control consists of a plan or procedure to safeguard assets, check the adequacy and reliability of accounting data, promote operating efficiency, and assure adherence to prescribed management policies. On or before 90 calendar days after termination of the agreement, the project coordinator should submit to the City an annual inventory update and a close-out financial report. All property, documents, data, studies, reports and records purchased or prepared by the Subrecipient under agreement should be disposed of according to the agreement.

In the event the program or project terminates, copies of all records relating to the project or activity that are the subject of the agreement shall be furnished to the City.

Financial reports required to be prepared and submitted by the Subrecipient to the City shall be accurate and correct in all respects. Should inaccurate reports be submitted to the City, the City may elect to have the Subrecipient secure the services of a licensed accounting firm. The cost of such accounting services are to be borne by the Subrecipient.

## E. Expenditures

All expenditures associated with an approved activity or project must comply with the following criteria:

### 1. Limitation of Expenditures

- a. The Subrecipient shall not expend funds provided under the contract prior to the commencement of the contract or subsequent to the suspension or termination of the contract.

- b. Expenditures shall be made in conformance with the approved budget and shall meet the criteria established for allowable costs.
- c. Expenditures shall be in direct support of the project which is the subject of the contract. The Subrecipient shall notify the City in writing of any expenditure(s) for items jointly used for any other project(s) and the expenditures shall be apportioned according to the percentage of direct use in the project.

## 2. Eligible Costs

To be eligible for payment, costs must be in compliance § 2 CFR 200, Subpart E – Cost Principles and with the principles set forth below:

- a. Be necessary and reasonable for the proper and efficient performance of the contract and in accordance with the approved budget. The City shall have final authority to determine in good faith whether an expenditure is "necessary and reasonable."
- b. Conform to the limitations within this manual and to any governing statutes, regulations, ordinances and city resolutions.
- c. Be fully documented and determined in accordance with approved accounting procedures.
- d. Not be included as a cost or used to meet cost sharing or matching requirements of any other funding source in either the current or a prior period.
- e. Be the net amount of all applicable credits such as purchase documents, rebates, sales or other income or refunds.
- f. Document all costs by maintaining complete and accurate records of all financial transactions, including but not limited to: contracts, invoices, timecards, cash receipts, vouchers, canceled checks, bank statements and/or other official documentation evidencing in proper detail the nature and propriety of all charges.
- g. The Community Development Department processes invoices and pay requests on a bi-weekly basis. Information received by vendors, contractors, and sub-recipients no later than noon on bi-weekly first and third Thursdays will be considered for processing of payment on the following Monday.
- h. Submit to HUD or the City at such times and in such forms as HUD or, City may require. These documents could be statements, records, reports, data, and information pertaining to matters covered by the agreement or contract.

### 3. **Ineligible Costs:**

- a. Bad debts: any losses arising from uncollectable accounts and other claims, and related costs.
- b. Contingencies: contributions to a contingency reserve or any similar provisions for unforeseen events.
- c. Contributions and donations.
- d. Entertainment: costs of amusements, social activities and incidental costs such as meals, beverages, lodging and gratuities relating to entertainment, or any political or lobbying activity.
- e. Fines and penalties: costs resulting from violations of or failure to comply with Federal, State, and local laws and regulations.
- f. Interest and other financial costs: interest on borrowing (however represented), bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection therewith.
- g. Membership expenses: costs of membership in any organization which devotes a substantial part of its activities to influencing legislation.
- h. Non-competitive subcontracts: payments under a subcontract not obtained under competitive bidding procedure, unless the requirement for such a procedure is specifically waived by the City.

## F. **Reimbursement**

### 1. **General Programs and Public Services**

The City of Fort Smith will only reimburse the subrecipient for expenditures actually incurred. Requests for reimbursement for eligible expenses shall be submitted in ZoomGrants as warranted. A Monthly Reimbursement Report must be submitted on City forms, and must be certified by the organization's Director or Coordinator. Reimbursement requests received by the Thursday at noon will, in most cases, be paid no later than the 10 days after the deadline provided that the Monthly Intake Information Report Forms (**Exhibit "I"**) have been submitted and are up to date. See "Request for Payment of General and Public Service Projects" attached hereto as **Exhibit "B"**. Optionally, Public Service subrecipients may use ZoomGrants information and report the amount(s) by budget line item. Also, see **Exhibit "K"** for Certification of Clientele Served also known as Presumed Beneficiaries which may be certified on ZoomGrants as well.

## 2. Development Projects

Reimbursement requests for eligible expenses pertaining to a development project may be submitted more frequently than on a monthly basis if pre-arranged with the City. Generally, these requests will be granted on a performance oriented basis. See the “Line Item Expense Detail for Development Projects” attached hereto as **Exhibit “C”** and “Request for Payment of Housing Development Projects” attached hereto as **Exhibit “D”**. The developer fee shall be released upon the closing of the home to an income eligible homebuyer. All pay request will be uploaded to ZoomGrants for payment.

## 3. Pro-rating of Expenses

Pro-rating of Expenses: If the program or project receives funding from several sources, only those expenses solely related to the portion of the activity which is funded out of the Subrecipient’s CDD grant are reimbursable. All such costs must be specifically identified to the City’s satisfaction.

## 4. Expense Review

City CDD staff will review each request for reimbursement submitted by the Subrecipient. Questionable or ineligible expenses will be identified and the Subrecipient will be requested to submit clarifications, corrections, or additional information.

## G. Program Income

Program Income (PI) generated by subrecipients for a project, according to federal regulations, must be used for other eligible activities. Because the City is the responsible administrator of these funds, all program income remains the funding of the City of Fort Smith regardless of what the agency is holding PI in bank accounts. The agreement will describe what the agency must do with the program income. Program Income / Proceeds on hand must be used for an eligible project prior to drawing any new funds from the city.

Organizations providing services funded through a City of Fort Smith CDBG or HOME grant may charge fees to clients to reduce the costs of service delivery. Such fees, or any other earnings generated through the use of CDBG or HOME funds are considered to be program income (PI). PI includes, but is not limited to, fees charged for services, proceeds from the sale of tangible personal or real property, usage or rental fees, and patent or copyright royalties.

PI shall be reported to the City on the Reimbursement Report and shall be used solely to offset the expenses of the project / activities funded through the Agreement with the City. Program income is subject to all provisions of the Agreement, and must be expended prior to requesting reimbursement from the City for eligible expenses.

All HOME PI must be reported as funds are requested on **Exhibit “D”**.

Donations are defined as free will offerings to an organization not related to receiving a service or benefit. Donations are not PI and do not have to be reported on the “Request for Payment of Housing Development Projects” - **Exhibit “D”**.

PI in possession of the organization does not reduce the size of the organization’s CDBG or HOME grant and/or loan amount as designated in the agreement, if the PI is spent on eligible items. However, any PI not spent will result in a reduction in the amount of funds reimbursed.

All subrecipients are required to spend down ALL program income to pay any invoice(s) first before asking for additional funds. In example, the city CD staff receives PI reports on a monthly basis from the Finance Department. The program income is used for the next activities requiring payment until the funds are exhausted and even if PI is held over to the next draw cycle. The subrecipient will set up a similar procedure to ensure that when monitoring is performed, it can be demonstrated that all PI was spent on the day you are preparing a Request for Payment for the HOME funds from any open agreement. Funds cannot be ordered to reimburse program income spent, funding must be ordered only to pay invoice(s) on hand to contractors/vendors that exceeds the available PI. The only exception to this provision is in the event the agency is fronting funds that are not HOME or CDBG program income.

## **H. Project Proceeds and CHDO’s**

If authorization is given by a PJ for a CHDO to retain project proceeds, then proceeds must still be used for HOME-eligible activities or other low-income housing activities within the Fort Smith jurisdiction. A PJ determines how the proceeds can be used in the written agreement with the CHDO. A PJ may establish more stringent requirements, than those required by the HOME Final Rule on the use of CHDO proceeds. A PJ may even have a flexible policy on the use of proceeds that differ from CHDO to CHDO, or even from project to project. CHDO project proceeds are not considered HOME program income and are not subject to program income requirements. However, CHDO project proceeds that are returned to the PJ are considered program income and are subject to HOME program income requirements. Upon the sale of a HOME-Assisted unit, the CHDO/Sub-Recipient Homebuyer Project Fund Reconciliation & Proceeds worksheet marked as **Exhibit “L”** must be completed and sent to the City CDD for approval.

If a CHDO is acting as a subrecipient, the funds generated from HOME-assisted activities are program income and are subject to HOME program income requirements. HOME funds recaptured because housing no longer meets affordability requirements are not considered proceeds and are subject to requirements for recapture and will be spent ahead of any PI. Should any subrecipient or CHDO received recaptured HOME funds that did not meet affordability requirements, even on a prorated basis shall be returned to the PJ. Once CHDO project proceeds are used by the CHDO for eligible activities there are no further HOME requirements. Funds generated from the use of CHDO proceeds are not considered CHDO proceeds (See **CPD Notice #97-9**). The exception to this

rule is if the PJ requires that these funds continue to be used for eligible activities. (PJ's may impose more stringent requirements than the HOME regulations.)

CHDOs may be authorized to retain some or all of the proceeds generated from an activity. At the discretion of the PJ, a CHDO may retain some or all of the proceeds from a CHDO development activity. The PJ must stipulate in its written agreement with the CHDO whether the CHDO may retain project proceeds, treat the funding as Program Income or return them to the PJ.

CHDO project proceeds are funds resulting from:

- ✓ Permanent financing of a CHDO project that is used to pay off a CHDO-financed construction loan.
- ✓ Sale of CHDO-sponsored rental housing to a second non-profit.
- ✓ Sale of CHDO-developed homeownership housing.
- ✓ The principal and interest payments from a loan to a buyer of CHDO-developed homeownership housing.

## V. Administrative Provisions

### A. Written Agreement with City

A written agreement must be entered into between the City and all entities receiving CDBG and/or HOME funds. The written agreement forms the basis for the contractual obligation between the parties to fund and implement the activity, program or project. The agreement will denote responsibilities attributable to each party, and shall outline in exact measure the scope of services to be provided, methods of accountability and a schedule for payment. Execution of the agreement binds the Subrecipient or CHDO for a specified period of time and is changeable only upon written authorization from the City.

### B. Environmental Clearance

The Community Development Block Grant (CDBG) and HOME regulations require that if a project involves any CDBG or HOME funds, an environmental must be performed *before any funds are encumbered*. The City will conduct the environmental clearance. Premature committing or expending of any funds, including the subrecipient's or CHDO's own funds, prior to this accomplishment, may jeopardize the project's eligibility. The subrecipient or CHDO is encouraged to obtain clarification from the Community Development Coordinator before encumbering the funds. This means no CDBG or HOME funds (including Program Income-PI) may be obligated prior to the completion of the Environmental Review process.

#### **FUNDS ENCUMBERED BEFORE THE ENVIRONMENTAL CLEARANCE CANNOT BE REIMBURSED**

- ✓ Environmental Reviews are required to comply with the National Environmental Policy Act and HUD's enforcement measures. This includes a review and analysis of thirteen (13) federal laws designed to protect certain environmental areas.
- ✓ The Environmental Review Request form (**Exhibit "E"**) attached hereto with detailed description of the project activities is necessary in order to evaluate the environmental impact that may result. The City of Fort Smith (CFS) will initiate the environmental review after receiving the completed form from the subrecipient or CHDO agency.
- ✓ The Environmental Review process involves sending notice of the project to certain local, federal and state agencies to ascertain the impact the project will have on the environment, if any. Upon completion of the HUD required paperwork, the Agency will be notified of any conditions or mitigation(s) that will be placed on the project. The clearance is normally completed at no cost to the agency. The City reserves the right to direct charge the cost of performing the Environmental Review as a delivery cost to the project/activity. If the project requires mitigation i.e., archeological services, the project

budget must reflect the mitigation expenses. The CD Coordinator can work with the agency to adjust the project budget to cover the necessary costs.

- ✓ It is estimated that Environmental Clearances for Development Projects can take up to 120 days (particularly for raw land or land that has never been documented to have homes constructed previously). The steps are as follows:
  - CFS sends correspondence to the local, state and federal agencies to receive comments on the project.
  - Information is received, processed and an Environmental compliance determination is made.
  - If required, an ad is placed in the local newspaper in the legal section, allowing for public comment on how the funds will be dispersed. The time frame for public comments is 30 days from the date of the advertisement. Cost of ads will be charged to the project as a delivery cost.
  - After the 30 days, a request for funds clearance is then forwarded to the Little Rock HUD Field office to disperse the approval to spend funds.
  - Once the City receives the approval to spend the funds, the project may begin.

### **C. Post-Award Responsibilities**

Upon execution of the agreement between the City and the Subrecipient, the Subrecipient shall:

1. Immediately report all changes in its articles of incorporation, by-laws or tax-exempt status to the City.
2. Maintain no member of the Board of directors as a paid employee, agent or subcontractor.
3. Include on the Board of Directors representation from the broadest possible cross-section of the community, including those with expertise and interest in the provided services, representatives from community organizations interested in the services and users of the services.
4. Open to the public all meetings of the Board of Directors, except meetings or portions thereof, dealing with personnel or litigation matters.

5. Keep minutes of all regular and special meetings of the Board of Directors and after approval, available for review at the monitoring by the City and have a regular meeting at least once each three (3) months.

#### **D. Federal Requirements**

Subrecipients must comply with all applicable federal regulations governing the use of CDBG and/or HOME funds. These regulations include but may not be limited to those identified on the Conditions of Federal Funding attached hereto as **Exhibit “F”**.

#### **E. Bonding and Insurance**

The Subrecipient shall carry sufficient insurance coverage to protect Agreement assets from loss due to theft, fraud and/or undue physical damage, and as a minimum shall purchase a blanket fidelity bond covering all employees in an amount equal to cash advances from the Grantee.

The Subrecipient shall comply with the bonding and insurance requirements of § 2 CFR 200 Subpart D – Post Federal Award Requirements, Standards for Financial and Program Management and Property Standards. (See Attachment “B”).

#### **F. Affordability, Resale/Recapture, Refinancing and Subordination**

The recipient of the HOME assistance for the purchase or rehabilitation of a property is subjected to all the requirements of the HOME Program and affordability requirements contained in 24 CFR Part 92. Following are the restrictions in the deed:

##### **1. Duration of Affordability Restrictions**

The housing being constructed or rehabilitated should qualify as affordable housing pursuant according to the requirements of 24 CFR 92.254, for the “Affordability Period” and after the completion of the project, covenants and restrictions in the deed restriction would terminate without any further action required by the owner or the City.

##### **2. Termination of Affordability Restrictions**

The affordability restrictions will terminate due to foreclosure or a transfer of the property in lieu of a foreclosure; however, if the owner obtains an ownership interest in the property before the foreclosure or deed in lieu of foreclosure, during the original affordability period, the affordability restrictions shall be revived.

##### **3. Recapture Restrictions**

In the event of a failure of a HOME Program beneficiary to satisfactorily adhere to all applicable affordability requirements, the City of Fort Smith will use the following recapture provisions to ensure that the intent of the HOME funded activity is accomplished or that the unforgiven portion of the HOME funds are recaptured and used

for other activities eligible under the HOME Program which is currently the Fort Smith First Time Homebuyers Assistance Program commonly called the Downpayment Assistance Program.

#### 4. **Recapture Option**

Recapture that portion of HOME Program investment unforgiven by the elapsed affordability period or recapture the maximum net proceeds from sale of property (whether recapture is effected through foreclosure or no foreclosure action).

Net proceeds recovered will be used to:

- a) Reimburse the HOME Program (Approved Activity) for the outstanding balance of HOME funds not repaid or forgiven during the applicable affordability period at the time of recapture. The recapture will be based on a prorated basis per month of occupancy as a principal residence, the remaining months of the affordability will be recaptured subject to the paragraphs below.

Example: Mr. & Mrs. John Smith were provided \$5,000.00 for Downpayment Assistance and Closing Costs for an affordability term of 5 years. The Smith's decided to sell due to a job transfer three years later. 5 years X 12 months = 60 months, \$5,000 divided by 60 months = \$83.33 per month; 36 months have been forgiven and the recapture amount will be \$83.33 X 24 months = \$1,992.92 payable to the City of Fort Smith Housing Trust Fund.

- b) Reimburse the HOME Program (Administration) for "holding costs" or other costs associated with the recapture action (legal fees, insurance, taxes, realtor fees, appraisal / BPO costs, etc.)

*If net proceeds recaptured are less than the outstanding balance of HOME funds invested in the property (for all approved activities and holding costs incurred), the loss will be absorbed by the HOME Program and all HOME Program requirements would be considered to have been satisfied.*

If net proceeds recaptured are greater than the outstanding balance of HOME funds invested in the property (for all approved activities and holding costs incurred), the balance of net proceeds would be distributed to the homeowner (or his/her estate). If the recapture of proceeds is effectuated through a completed foreclosure action, and the property is legally owned by City of Fort Smith, the balance of net proceeds recaptured will inure to City of Fort Smith.

**5. Resale Option - Death**

For those cases where the affordability requirements are violated as a result of the death of the HOME beneficiary and there is an eligible related person who qualifies and is desirous of assuming the HOME assistance invested in the property, the City of Fort Smith will permit resale of the HOME-assisted unit to the qualifying, eligible person, contingent upon the City of Fort Smith’s prior review and approval. The subsequent owner will be required to adhere to all applicable affordability requirements for the unexpired term of the original affordability period.

**6. Repayment by Homeowner**

Should the homeowner or title company repay the HOME funds invested in the property to the subrecipient or CHDO, the Subrecipient or CHDO shall issue a check to the City of Fort Smith Housing Trust Fund. The city will then prepare a mortgage release and send this to the title company or the seller.

**7. HOME Refinancing / Subordination**

Refinancing of a HOME is allowable only for the following situations (unless the HOME money is repaid to the city in the refinancing process):

- a. To lower the interest rate and monthly payment on the first mortgage;
- b. To allow the borrower to secure a loan to cover emergency non-insured property damage to the home;
- c. To allow the borrower to secure a loan to cover major, non-insured medical treatment.
- d. To allow the homeowner to obtain a reverse mortgage.

*NOTE: The City of Fort Smith will not subordinate its position for other credit debt or loans, which do not meet the above criteria. In addition, the City will not subordinate its position if the borrower is refinancing to “cash-out” their equity for any reason. Any amount less than \$200 will not be considered a cash out.*

For CDBG Housing Assistance subordination, please see the Housing Assistance Policy and Procedures Manual.

**G. Subrecipient / CHDO Responsibilities**

The subrecipient will be responsible for Marketing and Outreach, Homebuyer Education and Determination of Income Eligibility.

## H. HOME Downpayment Assistance / New Construction / Reconstruction / Acquire Rehabilitate and Resale First Mortgage Underwriting Requirements for all Homebuyer Assistance with Subsidy Limit

1. In addition to the first mortgage requirements of the primary lender, the following Homebuyer program requirements shall also apply to first mortgages issued in conjunction with a Homebuyer second mortgage:
  - a. The Borrower shall obtain the maximum first mortgage loan that for homebuyers qualified at 0 – 30% of MFI is at least 25% and those from 30.01% to 80% MFI is at least 27 % of the Gross Income of the household with a term and interest rate from a mortgage lender consistent with affordable housing costs as defined herein. The downpayment assistance program will be exempt from this provision.
  - b. First mortgage loans shall not include provisions for negative amortization, principal increases, balloon payments, deferred interest or temporary buydowns.
  - c. *Front End Ratio:*
    - 1) For purposes of qualifying a Borrower for a first mortgage, and as defined herein means the ratio between monthly household income and monthly housing cost, including first mortgage principal, interest, taxes and insurance.
    - 2) This ratio shall not exceed that set by the primary mortgage lender.
    - 3) The second mortgage for Homebuyer Subsidy shall not exceed \$25,000.00.
  - d. *Back End Ratio:*
    - 1) For Purposes of qualifying a Borrower for a first mortgage, and defined herein means the ratio between monthly household income and monthly housing costs plus all payments on long-term debt.
    - 2) This ratio shall not exceed that set by the primary lender.
  - e. *Credit Worthiness Criteria*
    - 1) For purposes of qualifying Borrower for a first mortgage, credit worthiness criteria shall be as established by the primary mortgage lender.
2. The CHDO, Subrecipient or Developer shall obtain the underwriting documents from the primary lender to document the file.
3. When calculating Gross Income for determining the first mortgage, the subrecipient or CHDO should not confuse this process with income qualifying to programs. All income whether taxable or nontaxable will be included on **Exhibit "P"**.
4. **Exhibit "P"** will be calculated after income qualification and the CHDO/Subrecipient will submit all documents to the CDD staff for review prior to entering into a Real Estate Contract.

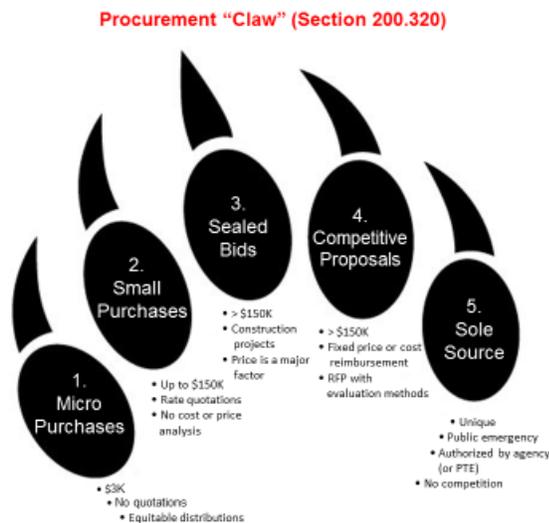
# VI. Hiring, Procurement and Contracting Procedures and Requirements

## A. Hiring Guidelines – Section 3

All subrecipients receiving funds from the City of Fort Smith CDBG and/or HOME Programs are obligated to hiring requirements found in Section 3 of the Housing and Urban Development Act. Section 3 requirements incorporated in the Agreement between the City and the Subrecipient provide in part that “to the greatest extent feasible, opportunities for training and employment shall be given to lower income residents of the City.” The Section 3 Business Certification form is attached as **Exhibit “Q”** and the Section 3 Individual Self-Certification form is **Exhibit “R”**.

## B. Procurement

CDBG and HOME funds are federal funding that is granted to the City. The agreement budget between the city and the subrecipient details the items that are approved for procurement. The federal procurement provisions are covered under Subpart D – Post Federal Award Requirements which include the Procurement Standards beginning at §200.318 to §200.326. These items must be necessary and reasonable to carry out the project / activity. These funds must be used efficiently and effectively in accordance with 2 CFR 200 Subpart E – Cost Principles – General Provisions.



**Procurement "Claw" (Sections 200.317-326)**



The Fort Smith Board of Directors requires, by resolution, that all Subrecipients and CHDO's funded with CDBG and/or HOME funds follow the City's purchasing process at a minimum, however it is acceptable for the agency to have more restrictive requirements than the city's procedures. The city's procurement process is more restrictive than the federal procurement standards. The goods, services or construction to be procured will be noted in the budget line item(s) of the agreement. No other purchases are authorized. For detailed information, please refer to City of Fort Smith Ordinance # 93-12. The purchasing guidelines are as follows:

1. Up to \$1,000.00 without obtaining quotes; quotes are not required, but highly recommended.
2. \$1,000.01 and up to \$7,500.00: three or more oral quotes are required.
3. \$7,500.01 and up to \$75,000.00: three or more written quotes are required. All quotes shall be maintained in files for City monitoring.
4. \$75,000.01 and above: requires formal advertisement for bids (advertised at least 15 days prior to bid opening). Requires agency executive director approval and board of directors.
5. Up to \$40,000: Requires Executive Director's signature on bid tabulation. If over, must be approved by entity's Board of Directors.
6. "One-Source" or emergency purchases must be submitted to the CD Coordinator or Director with an explanation from the executive director regarding the nature of the purchase.

***LACK OF PLANNING DOES NOT CONSTITUTE AN EMERGENCY***

## C. Subcontracts

Should a Subrecipient or CHDO find it necessary to subcontract in order to meet its obligations under its agreement with the City, it must enter into a written agreement with those individuals or organizations providing services. A “Standard Subcontract” form has been developed by the City and is attached hereto as **Exhibit “G”**.

### 1. Review of Subcontracts by City

All subrecipients or CHDOs will report on a quarterly basis any subcontracts it has entered into in performance of the scope of services in the written agreement. The subcontracts will also be monitored.

### 2. Provisions Required in Subcontracts

- a. Name, address, phone number and social security number of subcontractor.
- b. A termination clause requiring a twenty day notice by which either party may terminate the agreement.
- c. A City uninvolved clause releasing the City from any liability for any breach of the subcontract by either party.
- d. A scope of services.
- e. The total dollar amount of the subcontract.
- f. A termination date no later than the end of the expiration of the entity’s written agreement.
- g. A clause requiring the contractor to comply with stated “Conditions of Federal Funding”.
- h. An independent contractor clause stating that the subcontractor is an independent contractor or employee of the Subrecipient. Subcontractor is not an agent or employee of the City and as such waives any claims to any rights or benefits which accrue to employees of the City.
- i. Signature of person authorized by Subrecipient’s Board of Directors to execute agreements.
- j. Signature of person authorized by subcontractor to execute agreement.

### 3. Required Subcontractor Documentation

The Subrecipient shall maintain the following documentation in its files:

- a. Summary of bids and proposal received.
- b. Justification for any non-competitive procurement of contract services and reasons for the selection of the subcontractor. ***(Requires prior written city approval)***
- c. Justification for the selection of other than the lowest bidder in a competitive procurement.
- d. Section 3 compliance documentation.

## VII. Monitoring and Documentation

### A. Monitoring by City

#### 1. Purpose

The City CDD staff will conduct an on-going monitoring process in order to review the programmatic and financial aspects of the Subrecipient's and CHDO activities. The CDD staff will review monthly intake forms submitted by Public Service providers as a Subrecipient for compliance with federal regulations regarding use of federal funds and the implementation of the program, project or activity.

Development projects will be reviewed on at least a quarterly basis along with the Request for Funds submitted by the subrecipient or CHDO.

The monitoring process is oriented towards resolving problems, offering technical assistance and promoting timely implementation of projects. To this end CDD staff may require corrective actions of the Subrecipient or CHDO. Following are examples of significant problems which will trigger corrective action by the Subrecipient or CHDO:

- a. Service(s) is/are not documented.
- b. Goal(s) is/are not being met.
- c. Project files not in order.
- d. Complaints by clients.
- e. Required reports not being submitted in a timely manner.

#### 2. Monthly/Quarterly Programmatic Monitoring

- a. All HOME Subrecipients and CHDOs will submit a quarterly report (See "Quarterly Housing Development Report" attached hereto as **Exhibit "H"**) detailing the implementation and administration of the activity, program or project. The quarterly programmatic report is due by the 10<sup>th</sup> calendar day of the following end of the quarter (January 10, April 10, July 10, October 10) and shall include the following:
  - 1) Progress in meeting the Scope of Service in the Agreement.
  - 2) Changes in staff or Board of Directors.
  - 3) Problems encountered and steps taken to resolve them.
  - 4) Other general information as appropriate.

- 5) If a Subrecipient's or CHDO's project involved the creation of or placement of clients within housing units, the "HOME Beneficiary Information Form" attached hereto as **Exhibit "J"** must be submitted within 20 days of closing.
- b. A monthly "Monthly Intake Information Form" for *General and Public Service Projects* attached hereto as **Exhibit "I"**. There are four forms, each is for 1) Extremely Low Income, 2) Very Low Income, 3) Low Income and 4) Presumed Beneficiaries. For Presumed Beneficiaries, an agency official must complete the Certification of Client Served (**Exhibit "K"**) and properly identify the client category in the noted income level and transmit to the City CDD. A beneficiary will be counted only once during the program year regardless of the number of units of service provided during the program year. This report shall identify the income, ethnicity and household status of clients receiving CDBG assistance within the reporting period. CDBG Subrecipients may also report on "Units of Service" provided; for example: nine hours of day care may be a service unit or a one hour case management session for a homeless person may be a unit of service. Unit of service definitions must be included with the report. The report shall be submitted by the 10<sup>th</sup> of the month. Alternatively, Public Service Subrecipients may report this information in ZoomGrants.
- c. Reports not submitted on time or behind will cause future reimbursements to be withheld until the agency is current.
- d. The CDD staff will perform financial and accounting status of the activity, program or project by the Requests for Payments submitted or by ZoomGrants. The Request for Payment form is attached hereto as **Exhibit "B"** for General and Public Service Projects and **Exhibit "D"** for Housing Development Projects. Additionally, the CDD staff will analyze IDIS reports from the HUD Computer System to determine if projects are on schedule.

### 3. On-Site Visits

Based on monitoring results, the CDD staff may hold discussions with subrecipients or CHDOS whose performance does not appear to be sufficient to meet the goals and achievements as outlined in the agreement. An on-site visit may occur to discuss the service activity shortfall.

An on-site visit may also be conducted in order to ascertain that the eligible clients for whom the program or project was intended are being served and that in the event of an audit, the required client information is being maintained.

#### 4. Non-compliance

The CDD staff may recommend corrective action to be taken by the City of Fort Smith Board of Directors should other efforts at obtaining compliance be ineffective.

### B. Client Documentation by Subrecipient or CHDO

Each Subrecipient or CDHO is required to maintain documentation on clients benefitting from activities, program or projects funded through the City's CDBG and/or HOME programs. As a condition of the HUD grant, the City, and in turn the Subrecipient or CHDO, must certify that low and moderate income persons are being served. HUD also requires information on the race and ethnic background of the clients, how many are female heads of households their residency in the City and how many are very-low income. City CDD staff and HUD must also have access to the names of the clients. Any information regarding applicants for services funded through federal monies shall be held in strict confidence.

#### 1. Required Documentation

All subrecipients shall obtain and maintain the following information on each client served:

- a) Client name and address
- b) Gender
- c) Ethnicity/Race
- d) Head of household status
- e) Income (with copies of source documents)

This information (except income documents) shall be submitted in summary on the appropriate income forms "Monthly Intake Information Form" for General and Public Service (**Exhibit "I"**). If the entity does not have a client application form that covers this information, please contact CDD staff and a general version will be provided to your agency. Sample application forms for both programs are available from the CDD. A person will be counted one time during the program year regardless of the number of service units.

Housing clients shall be reported individually by completing the "HOME Beneficiary Information Form" attached hereto as **Exhibit "J"** and must be submitted within 20 days of closing.

#### 2. Exceptions to Maintaining Required Income Documentation

The following categories of clients are considered to be "Presumed Beneficiaries". To be counted appropriately, the agency must complete the "Certification of Clientele Served" **Exhibit "K"** and submit it with the first monthly report.

Income documentation is not required for the following client types:

- a. Clients of a domestic violence shelter
- b. Seniors 62 years of age or older
- c. Persons with recognized disabilities (a lengthy definition is available, please contact the CDD Director)
- d. Homeless persons
- e. Illiterate adults
- f. Persons with AIDS
- g. Migrant Farm Workers

All other documentation is required.