



NSP2

Operations Manual

2010–2013

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CAMDEN REDEVELOPMENT AGENCY

NSP2 OPERATIONS MANUAL

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I. FUNDING

Under the American Reinvestment and Recovery Act of 2009 (ARRA), Congress established the Neighborhood Stabilization Program 2 (NSP2) to stabilize neighborhoods whose viability is negatively affected by properties that have been foreclosed upon and abandoned. NSP2 provides grants to states, local governments, nonprofits and a consortium of public and or private nonprofit entities on a competitive basis.

The Camden NSP2 Consortium received \$11,926,890. CRA, as lead applicant, nine consortium partners, and developers solicited via Requests for Proposal (RFPs) will work together to remove blight and address vacancy and foreclosures, and reposition neighborhoods in targeted NSP2-eligible Census Tracts. Under the NSP 2 grant, \$10,734,198 is allocated to place properties back in productive use and \$1,192,689 in administrative funds for CRA.

CRA will allocate grants to Consortium Members per each consortium member's Funding Agreement. CDBG Program rules apply to administrative funds. Please see your Funding Agreement for details related to amounts for administration and production funds.

II. FEDERAL REGULATIONS

Award recipients implementing the Camden NSP2 Consortium must follow the Community Development Block Grant (CDBG) Program rules and regulations, unless stated otherwise in the May 4, 2009 of the Federal Register Notice [Docket No. FR-5321-N-01] regarding Title XII of Division A of the American Recovery and Reinvestment Act of 2009 (ARRA) and any other correction notices and updates published by HUD.

The notices are posted at:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/arrafactsheet.cfm>.

NSP2 Regulations and Federal Requirements

Because NSP2 follows CDBG program rules and regulations, unless stated otherwise in the NSP2 Notice, CRA, Consortium Members and other grantees must comply with the Federal Requirements that govern CDBG. Federal requirements include:

- National Objectives
- Environmental Review
- Appraisals and Acquisition
- Labor Standards
- Lead Policy
- Fair Housing, Equal Opportunity and Civil/Human Rights

Environmental Review

NSP 2 Grantees must complete an environmental review record for each NSP 2 funded project, which will be submitted to HUD for review and approval. The environmental review record process for NSP2 projects follows the existing guidance outlined at 24 CFR Part 50 for Private Nonprofit recipients of NSP2 Grants. As outlined in 24 Part 50, HUD must document that all projects and activities funded by its programs, which in this case is the NSP 2 program, comply with National Environmental Policy (NEPA) and related Federal laws and authorities. The regulation directs HUD to reject any proposal that have significant adverse environmental impacts. As soon as the project environmental review has been completed and approved by HUD, CRA will be advised, in writing, that it may proceed to commit and expend project funds. The authorization may include any mitigation measures, conditions, and/or safeguards that must be incorporated into the project design and completion. Environmental review guidance and check lists may be found at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/environment/review

Appraisal and Acquisition

Eligible properties must meet the definition of abandoned or foreclosed as defined by NSP in the April 9, 2010 Notice in the Federal Register. A copy of this notice can be found at http://hudnsphelp.info/media/resources/FedRegister_NSPDefinitionChange.pdf.

Occupied properties are ineligible for CRA NSP2 funds.

Appraisals are required on acquisitions of foreclosed upon properties valued over \$25,000, using NSP2 funds and must be completed within 60 days from the date of the final offer. A local grantee may submit an offer to purchase contingent upon completion of an appraisal and/or environmental review.

Appraisals must meet CDBG guidelines, and acquisitions must be voluntary. Appraisal guidance is found at: http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/docs/appraisal_guidance.doc.

1. Foreclosed properties with values less than \$25,000 do not require an appraisal. Instead, a written market valuation is required that is based on a review of available data and is made by a person qualified to make the valuation.
2. Non-foreclosed properties may be acquired with NSP2 funds without an appraisal. However, the local grantee must maintain documentation (such as a property valuation) that shows the price paid is reasonable under OMB Cost Principles.
3. When acquiring vacant property, Consortium Members or developers shall verify property was (1) vacant through "Notice of Eviction" by lender, utility shut off or transfer, and/or physical inspection by local grantee and (2) not occupied by "bona fide" tenant through lender certification at the time of foreclosure. Adequate documentation for "bona fide" tenant is as follows:
 - A certification that only the former mortgagor and/or immediate family occupied the property at the time of the notice of foreclosure;
 - A certification of compliance with the NSP tenant protections (or the inapplicability of the tenant protections) from the initial successor in interest.
 - Copies of the tenant's lease and any notice to vacate from the ISII (describe ISII) to substantiate compliance; Copies of tenant notification must also be compliant w/ NJ Foreclosure Fairness Act (Legislation can be found at http://www.njleg.state.nj.us/2008/Bills/A4500/4063_S1.HTM).
 - Where a tenancy existed without a written lease or at will, information on the tenancy and any notice to vacate from the ISII (describe ISII) to substantiate compliance.
4. Local grantees or program partners shall purchase foreclosure property at a discount of at least 1% from current market value, based on an appraisal as outlined above in #1.
5. Consortium Members or developers shall only acquire property through voluntary acquisition. Uniform Relocation Act Voluntary Acquisition Form must be signed to document that the use of eminent domain was not involved for private to public transactions. Public to public transactions are exempt.
6. Local grantees are not required to meet the requirements of One-for-One Replacement of low and moderate-income dwelling units demolished or converted in connection with activities assisted with NSP2 funds.

Labor Standards

Davis-Bacon

Federal Davis-Bacon Wage Rates apply to laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with NSP2 funds in contracts for construction or rehabilitation of residential property for eight or more units.

Demolition work funded by NSP2, which is not related to future construction, e.g. demolition and land banking of blighted and foreclosed houses or demolition of privately-owned blighted building, is not subject to the labor standards requirement. However, where an existing building is being demolished as a phase of a construction project, both the demolition and the construction are covered.

Policy Guidance for applicability of Davis Bacon rates can be found at www.hudnshelp.info/media/resources/NSPPolicyAlerts.pdf pp 40 - 43.

Section 3

Section 3 of the Housing and Urban Development Act of 1968, as amended, ("Section 3") requires that economic opportunities generated by certain U.S. Department of Housing and Urban Development financial assistance for housing and community development programs be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and business concerns which provide economic opportunities to low- and very low income persons.

CRA and its grantees shall provide opportunities to low- and very low-income persons residing in the City of Camden (as defined in § 135.5 of 24 CFR Part 135) and to businesses meeting the definition of "Section 3 Business Concern" (as defined by 24 CFR Part 135). Accordingly, CRA has established policies and procedures (see Attachment #) to ensure that Section 3, when required, is followed and develop programs and procedures necessary to implement this policy covering all procurement contracts where labor and/or professional services are provided, in order to achieve the goals outlined within the State of Camden Consolidated Plan for Housing and Community Development. This policy shall not apply to contractors who only furnish materials or supplies through Section 3 covered assistance. It will apply to contractors who install materials or equipment. The policy does not require the employment or contracting of a Section 3 resident or contractor who does not meet the qualifications of the position to be filled or who cannot fulfill the contract requirements.

CRA incorporates into this policy the definitions contained in § 135.5 of 24 CFR Part 135.

Further guidance, checklists and document templates are referenced in the corresponding modules to ensure compliance with these requirements.

Lead-Based Paint

HUD's lead-based paint regulatory requirements (24 CFR Part 35) governing the acquisition, rehabilitation, leasing, operations, and sale of NSP-funded housing are applicable. These will be most applicable for rehabilitation of buildings constructed prior to 1978, or demolition of buildings constructed prior to 1978. Also, the US Environmental Protection Agency (EPA) has issued lead paint regulations (40 CFR Part 745), effective as of April 22, 2010, that will be applicable to the same universe of buildings.

For additional information about lead paint hazards and ways to identify and address those hazards:

http://www.state.nj.us/dca/dcr/leadsafe/educa_material.html.

Also, the following web pages contain additional resources, including links for more technical information about lead hazard identification and mitigation:

- HUD's Office of Healthy Homes and Lead Hazard Control - Renovation, Repair and Painting (<http://www.hud.gov/offices/lead/training/rrp/rrp.cfm>)
- EPA (<http://www.epa.gov/lead/index.html>).

In all instances, the NSP-funded unit must be re-inspected to determine that the lead-paint hazard has been "cleared". NSP Grantees must retain records demonstrating compliance with Part 35 requirements for the CRA's review.

Fair Housing, Equal Opportunity and Civil Rights

An overview of the fair housing policies that apply to NSP2 are located at:

<http://nls.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/docs/summittheofacts.doc>
and

http://www.camden.gov/documents/cra_PB22_Fair_Housing_125351_7.pdf.

Every Consortium Member or developer has certified in their funding agreement that they will affirmatively further fair housing. . CRA in its disposition of NSP 2-funded Land Banked properties for the rehabilitation or redevelopment for residential use must also comply with NSP2 Fair Housing policies.

1. Consortium Members and developers should take the opportunity to review the local analysis of impediments to fair housing choice to determine whether an update is necessary at this time because of current market conditions or other factors.
2. Consortium Member and developers should evaluate their program design to ensure opportunities are available to all income- qualified persons and its policies are not discriminatory.
3. Consortium Member and developers must design programs and outcomes to be in compliance with accessibility requirements. (See the Fair Housing Act, the Rehabilitation Act of 1973, and the Americans with Disabilities Act).

General requirements apply to all NSP2-eligible activities that appear in the Section that follows.

III. PROGRAM ADMINISTRATION

Program Period and Expenditure

The program period for NSP2 is three (3) years, meaning that all NSP2 funds must be expended by February 11, 2013. In addition, HUD requires NSP2 grantees to expend 50% of their NSP2 award by February 11, 2012. HUD defines expenditure as total amount withdrawn from the U.S. Department of Treasury, not Treasury withdrawals plus use of program income. HUD still requires Grantees to spend program income first.

As a result, CRA will:

- Conduct on-going monitoring of Consortium Member and grantees programs during the three-year program period.
- Work cooperatively with Consortium Members and Program Partners to implement Camden's NSP2 Consortium Production Goals and Performance Measures to meet the 50% and 100% expenditure rule by Year 2 and 3, respectively, based on the original grant plus program income
- Recapture and re-allocate NSP2 funds based on Consortium Member and grantees performance during the three-year program period (see Expenditure of Funds: Production Goals and Performance)

Funds and Grant Management

Payment

Payments may be made directly or a reimbursement basis and all NSP2 eligible costs must be documented in writing. Consortium Members, developers and Landbank/Greening Contractors may submit payment requests as frequently as necessary to assure prompt payment.

CRA reserves the right to request additional documentation from Grantee as deemed necessary. From the point that CRA deems the request for payment to be complete, CRA will require 10 days to process payment requests.

Final Payment/Grant Close-out

The Department shall withhold 10% of the grant amount from the NSP Grantee until the approved grant activities have been completed and the NSP Grantee has submitted to the Department all required documentation that evidences completion of the grant activities. The specific documentation will be tailored for the needs of each NSP grant, but generally will include the following:

- HUD-1 settlement sheet for each property acquired using NSP funds - if not previously submitted
- Appraisal for each property acquired using NSP funds (both "as-is" and "as completed") - if not previously submitted
- Certificate of Occupancy (or Certificate of Continued Occupancy) for each NSP-assisted property, from the municipality in which it is located
- Certification from the administrative entity of the income eligibility for each household that occupies a completed NSP unit
- Original versions of NSP mortgage loan documents, executed and recorded
- Original affordability control documentation, executed and recorded
- Narrative and photos
- Final certification of costs and funding sources for the entire grant. If the grantee is not a unit of government, this certification must be completed by a certified public accountant

The Department will review this submitted documentation and, if acceptable, will release the final grant payment and close-out the NSP grant.

Audit Requirements

The NSP Grantee shall comply with the audit requirements that are listed in Section XXVIII of the “General Terms and Conditions for Administering a Grant/Loan” which accompanies the Grant Agreement.

Award Amendments

Costs incurred prior to approval of an amendment to the Consortium Agreement may not be reimbursed. HUD’s DRGR system requires that funding be allocated to specific Eligible Uses; any expenditure above the amount allocated requires that CRA modify DRGR and that HUD approve the modification. To the extent possible, CRA will expedite the DRGR/HUD steps to assist in the timely execution of grant activities and to ensure compliance with the grant agreement.

Budget Modifications (i.e., revisions to budgets within contracted Eligible Uses): Consortium members, Developers and Land Bank/Greening Contractors must submit a request for approval to CRA for any budget modification. Consortium members, developers and Land Bank/Greening Contractors may modify or revise an activity within budget line items up to 10%.

Grant Extensions

Due to the three-year program period imposed by ARRA, CRA will not approve any grant extensions and will be reviewing drawdown and expenditures closely to ensure that Consortium Member and grantees are expending the Camden NSP2 funds within the grant period. In addition, CRA reserves the right to recapture and reallocate Camden NSP2 funds that are not used in a timely or appropriate manner.

Expenditure of Funds: Production Goals and Performance CRA wants and anticipates success from each of our NSP 2 Consortium partners. HUD mandated aggressive timelines to expend NSP2 funds and requires CRA to monitor rates of expenditure by each of the Consortium Member, developer and Land Bank/Greening Contractor. The Camden NSP2 Consortium will adopt, and CRA will enforce the performance requirements outlined below.

- CRA will recapture funds from those Consortium Members, developers and Land Bank/Greening Contractors who do not meet the performance requirements.
- CRA may re-allocate additional funds, subject to availability, to those Consortium Members, developers and Land Bank/Greening Contractors that exceed the performance requirements.
- CRA will recapture and reallocate NSP2 funds based on the performance requirements that follow.

Performance Requirements for Award Amounts

Below are performance requirements for awards for the original amount (i.e. amount in funding agreement) or awards that have been recaptured because they did not meet performance standard.

The performance requirements are as follows:

- During a specified quarter, Consortium Members, developers and Land Bank/Greening Contractors must expend all program income received to date, plus the percentage of the total NSP2 award indicated below:

| Approximate End Date | Performance Requirements |
|----------------------|---|
| Jan 31, 2011 | Consortium Member, developers and Land Bank/Greening Contractors must expend at least 50% of their total award |
| July 31, 2012 | Consortium Member, developers and Land Bank/Greening Contractors must expend at least 75% of their total award |
| Oct 31, 2012 | Consortium, developers and Land Bank/Greening Contractors must expend at least 90% of their total award |
| Dec 31, 2012 | Consortium Member, developers and Land Bank/Greening Contractors must expend at least 100% of their total award |

Recapture and Re-allocation of Funds

CRA will analyze each consortium city's/land bank's expenditure of funds at each of the above mentioned quarters. The rules of recapture and re-allocation are as follows:

- CRA will not recapture funds from those grantees which met expenditure targets.
- CRA review with the Consortium Member, Developer, or Land Bank/Greening contractor their progress to date to determine whether funding can be expended up to the required expenditure target by the next target date
- CRA will recapture funding from low-performing awards up to the percentage indicated in the above table.
- CRA may, at its discretion, (a) implement projects directly or (b) offer the recaptured funds to other grantees exceeding their performance requirements that also have reasonable plans to expend funds.

Reporting

Consortium Members, Developers and Land Bank/Greening Contractors must provide monthly reports to CRA regarding program accomplishments and expenditures, including information for HUD-required reports (e.g., DRGR, and federalreporting.gov.) CRA will require Consortium Member and grantees to track and report activities by CDBG Activity, Eligible Use, and address. CRA will provide the appropriate reporting forms to Consortium Members and grantees.

Monitoring and Auditing

CRA views monitoring and auditing as a way to assist Consortium Member, Developers and Land Bank/Greening Contractors with their NSP2 program, build local capacity, and prevent any problems that may arise. Therefore, during the program period, CRA will conduct ongoing monitoring of the Camden NSP2 Consortium to ensure program compliance and sound financial management of NSP2 funds. CRA will provide the appropriate forms and document checklists to assist Consortium Member, Developers and Land Bank/Greening Contractors to prepare for monitoring, and grantees will be required to respond to any additional requests from CRA, HUD and/or Office of Inspector General (OIG).

Program Income

NSP2 program income requirements will follow CDBG and NSP2 regulations. NSP2 Program Income received by the Consortium Member and grantees must be tracked. Program income must be expended in accordance with NSP 2 Guidelines and in accordance with the Consortium Member Agreement.

IV. ELIGIBLE NSP2 COSTS: ADMINISTRATION, PRODUCTION AND ACTIVITY DELIVERY

Eligible and Ineligible Activities

- Generally, as administered by the CRA, the following development costs are NSP2-eligible:
 - Acquisition
 - Of foreclosed-upon housing units and abandoned housing units
 - Of vacant housing units and vacant land, for redevelopment
 - Demolition, limited to “blighted structures” and to redevelopment
 - Construction costs
 - Rehabilitation
 - New construction, limited to redevelopment
 - Both categories above may include **amenities** (see definitions, page 27)
 - Soft costs, including professional fees
 - Working capital and reserves
 - Mortgage buy-down
 - Downpayment and closing cost assistance
 - Developer fee, limited to 8% of total project cost (acquisition and soft costs can be included in total project cost) Note: Developer fees from NSP2 funds are not available to Consortium Members, but may be available from sources other than NSP2.
 - Administrative allowance, limited to Consortium Members and further limited to \$25,000 per project.

A grantee will use NSP2 funds to create affordable homeownership units and/or affordable rental units within the neighborhood/target area that CRA has reviewed and approved.

Ineligible Activities include, but are not limited to:

- Demolition of non-blighted structures
- Any NSP activity that is not located within the approved neighborhood/target area

In addition, unless otherwise specifically stated, if an activity is ineligible under the CDBG Program, it is ineligible under the NSP Program.

Administration

Administration funds related to carrying out the local NSP2 program will be available for general administrative costs. Consortium Members are provided a specific dollar amount of administrative funds in their funding agreement and must not spend anything other than the exact allocated amount on administrative costs. Administrative costs are reasonable costs of municipalities and land banks to meet the requirements of NSP2.

They are not directly related to a specific activity. Eligible administrative expenditures include but are not limited to:

- General NSP2 program management, oversight and coordination
- Monitoring and evaluation
- Providing information to citizens and elected officials
- Preparing budgets and performance reports
- Resolving audit and monitoring findings
- Technical support services
- Assuring fair housing activities

Consortium Members and grantees may allocate certain staff costs and professional services to eligible Activity Delivery Costs.

Local grantees should contact CRA if they are uncertain whether the activity is an activity delivery cost or administrative cost.

Production, Activity Delivery and Soft Costs

Eligible activity delivery costs must be NSP eligible and need appropriate documentation to be reimbursed by CRA.

Hard costs are items and services related specifically to construction such as materials and labor from the building trades.

Activity delivery costs are known commonly as soft costs and are eligible as part of each project or activity. Activity delivery costs cover staff, professional services, and related items that can be tied to an NSP-assisted property. Unlike HOME, activity delivery costs do not need to be tied to a specific address and may be paid with NSP2 funds even if the project fails to be completed.

However, for the purposes of the CRA NSP2 Consortium, CRA defines the CDBG Activity Budget Line Items and Activity Delivery Cost budget Line items slightly differently to effectively and efficiently manages the costs of an NSP2-assisted project.

Feasible and Infeasible Projects

CRA differentiates between Feasible and Infeasible Projects:

Feasible Projects are those projects or addresses that are completed successfully. Examples are a Grantee enters into a contract and the contractor demolishes a blighted property with NSP2 funds; or a Grantee rehabilitates a property they acquired with NSP2 funds and sells to a qualified buyer.

Infeasible Projects are those projects that are not completed, but their costs are still eligible to be reimbursed with NSP2 funds. Examples are a Grantee completes an appraisal to purchase a mortgage-foreclosed house, but the REO Agent sold the property to another private investor. The Grantee can document those costs and get them reimbursed under the Infeasible Activity Delivery Line Item.

Production Costs

CRA defines Production Costs as Hard Costs, Third Party Soft Costs and Professional Fees, or Permits and Fees to complete a CDBG Activity for a feasible project. The corresponding Budget Line Items are:

- Acquisition
- Rehab and Preserve
- Disposition
- Demolition
- Housing Counseling
- Maintenance & Greening (Land Bank)

Examples of **third party soft costs** until the unit is sold/transferred to NSP2 beneficiary are:

- Development of Request for Proposals and Request for Qualifications
- Preparation of rehabilitation work specifications
- Loan processing
- Appraisals and title clearance
- Utility costs and/or shut-off
- Legal
- Insurance
- Security
- Taxes* During Construction
- Architectural or engineering services
- Property inspections
- Environmental assessments/review record
- Labor standards compliance
- Attending pre-construction conferences
- Attorney fees for preparing or review contract documents or property acquisition activity

Local real estate taxes (as a holding cost) may be paid by NSP2 Grantees.

Activity Delivery Staffing Costs

Grantees may allocate the average of Activity Delivery Staffing Costs per feasible property so long as the Grantee documents all activity delivery staffing costs and the costs do not exceed 15% of each NSP2 Eligible use. Documenting an eligible activity and eligible use. Documenting activity delivery staffing costs includes timesheets of staff person(s), hours worked, and hourly rate of staff person(s) by property address.

Examples of staffing costs are:

- Hire and pay of local implementation manager based the hours they worked to coordinate NSP2 projects. Hours must be documented. Costs are still eligible if targeted project is not completed.
- Hire and pay of acquisition manager based on the hours they worked and expenses for them to identify, inspect, conduct project feasibility analysis and negotiate purchase of foreclosed and/or vacant property. Costs are still eligible even if targeted property is not acquired.
- Hire and pay construction manager and the hours worked and expenses for them to inspect property prior, during and after construction and prepare rehabilitation work specifications. Costs are still eligible even if targeted property is not rehabbed or built.
- Hiring of intake specialist and the related costs for them to collect information and housing preferences as well as verify income of eligible homebuyers or renters.
- Hiring of marketing firm and the related costs to reach targeted markets.

For example, a grantee wants to rehabilitate a property they acquired. the development budget for Project Set-up is as follows:

| | |
|---|----------------------|
| Construction, Pre-development and Acquisition Hard Costs | \$125,000.00 |
| Third Party Soft Costs | \$25,000.00 |
| Grantee Activity Delivery Staffing Costs (15% of Total Project Costs) | \$3,881.25 |
| TOTAL COSTS | \$176,358,750 |

For Grantees to be paid for activity delivery staffing costs, they will be reimbursed based on hours worked and rate of pay for each staff person by property. Grantees will keep timesheets on-site as back-up documentation. Local grantees should contact CRA if they would like to pay for certain staffing functions out of activity delivery costs to see if it is eligible.

CRA will allocate administrative funds to allowable expenses that include those tasks related to administering the program. Generally, Program Activity Delivery Costs are related to a specific address. Realistically, some activities go be counted as both.

For example: Marketing

- CRA might market the program to contractors or realtors would be an allowable administrative expense.
- However, if a Consortium Member or grantee creates and distributes flyers for a specific unit and spends time showing that unit to realtors in the area, related expenses would be charged as an Activity Delivery Cost for that activity.

| Task | Admin | Activity Delivery |
|--|-------|-------------------|
| 1. Housing Needs Assessment | X | |
| 2. Time/\$ on Environmental Review (for Program) | X | |
| 3. Time Spent on Public Hearings | X | |
| 4. Time Spent Writing Fair Housing Policy | X | |
| 5. Time Spent Writing Complaint Procedure | X | |
| 6. Time Spent Writing Contractor Selection Process | X | |
| 7. Time Spent Writing Recipient Selection Process | X | |
| 8. Time Spent Writing Application Forms | X | |
| 9. Time Spent Writing Program Guidelines (if any) | X | |
| 10. Outreach and Public Information/Marketing | X | |
| 11. Educating Contractors (Sec. 3, Davis Bacon, etc.) | X | |
| 12. Inspections (General/Lead Based Paint) | | X |
| 13. Cost Estimates (for specific address) | | X |
| 14. Spec Writing (for specific address) | | X |
| 15. Site Specific Environmental Review | | X |
| 16. Bid Solicitation Process (for specific address) | | X |
| 17. Contractor Selection/Awards (for program or unit?) | X | X |
| 18. Construction Supervision | | X |
| 19. Arranging Homeownership Counseling (program) | X | |
| 20. Marketing (Program or Units) | X | X |
| 21. Time Spent Collecting Data for Reporting | X | |
| 22. Time Spent Preparing Draw Requests | X | X |
| 23. Time Spent preparing for or at closings | | X |
| 24. Time/Travel to attend Trainings | X | |

V. NSP2 CONSORTIUM PARTNERSHIPS

To foster the partnership between CRA, Consortium Members and program implementation partners, for not only NSP2, but future stabilization and redevelopment projects, CRA agrees to utilize a part of their administration funds to facilitate meetings, trainings and technical assistance.

Program Status Meetings

CRA, Consortium Members and grantees shall attend the following **meetings**:

1. During the first year of the NSP2 program period, Consortium Members, Grantees and CRA shall meet no less than twice every calendar month to review production progress, develop list of tasks, and address issues as they may arise. Meetings may occur on site or via conference call or web meeting.
2. During the remaining years 2 and year 3, CRA, Consortium Members and grantees will meet no less than once a month to review production progress and address issues as they may arise.
3. Trainings, Web Meetings and Updates.

CRA will conduct **trainings and updates through electronic newsletters and conference calls** for Consortium Member and grantees and their program partners. Trainings, meetings and updates will assist them on:

- Developing their program design and strategies
- Managing and implementing NSP2 to meet production goals
- Utilizing Camden NSP2 Consortium management checklists, documents and tools.

This section intentionally left blank.

VI. ACTIVITY DESCRIPTION: RESIDENTIAL REHABILITATION & DEVELOPMENT

Serves Households Up to 120% Area Median Income

This activity will provide homeownership and rental / opportunities to households with incomes at or below 120% of area median income through the improvement and reuse of vacant, demolished, abandoned and/or foreclosed residential properties. Current income limits by household size can be found in the chart below:

| Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA | | | | | | | | | | |
|---|---------------|-------------------------------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|
| FY 2011 Income Limit Area | Median Income | FY 2011 Income Limit Category | 1 Person | 2 Person | 3 Person | 4 Person | 5 Person | 6 Person | 7 Person | 8 Person |
| Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA | \$80,400 | Very Low (50%) Income Limits | \$28,150 | \$32,200 | \$36,200 | \$40,200 | \$43,450 | \$46,650 | \$49,850 | \$53,100 |
| | | Mod (80%) Income Limits | \$44,950 | \$51,400 | \$57,800 | \$64,200 | \$69,350 | \$74,500 | \$79,650 | \$84,750 |
| | | Middle (120%) Income Limits | \$67,560 | \$77,280 | \$86,880 | \$96,480 | \$104,280 | \$111,960 | \$119,640 | \$127,440 |

Income charts are updated annually and can be found at: <http://www.huduser.org/portal/datasets/il.html>.

Eligible residential properties include, but are not limited, to:

- Existing City-owned or Land Bank-owned, Abandoned/Foreclosed Residential Lots or Residential Structures
- Abandoned/Foreclosed Residential Lots
- Abandoned/Foreclosed Residential Structures
- Any Vacant or Demolished Property to be redeveloped as Housing

This activity may include:

- Acquisition (Land Bank and REO only) and rehabilitation of residential unit for resale or rental, where property is purchased by Consortium Members or program partners. Consortium Member or program partners rehabilitate property to meet rehabilitation standards and then sell or lease to income eligible household.
- Demolition of a blighted house, with a new house built on the site and sold or leased to an income-qualified household. Consortium Member and grantees must demonstrate that market can absorb new construction unit.
- Redevelopment of vacant residential lot with a new house built on the site and sold or rented to an income-qualified household. Consortium Member and grantees must demonstrate that market can absorb new construction unit.
- Acquiring and deeding sub-standard, vacant residential lot to adjacent, income-eligible homeowners.
- Providing homebuyer assistance in the form of down payment assistance, closing cost assistance and for income-eligible household. Note: A CDBG rule allows NSP funds to assist only 50% of the down payment.

In every case that a vacant, demolished, foreclosed or abandoned residential property is purchased, Consortium Member and grantees or program partners will ensure that the outcome is homeownership, or rental to an income-eligible household. For NSP-funded homeownership units, the prospective buyer must receive 8 hours of comprehensive homebuyer counseling from a HUD-approved housing counseling agency prior to purchasing the unit. St. Joseph's Carpenter's Society will provide counseling services in excess of this standard to all CRA NSP 2 Consortium homebuyers. Pre-purchase counseling should not be reimbursed prior to the sale of the involved NSP homeownership unit.

Meets 25% Low-income Set-aside Requirement

This activity will meet the NSP2 requirement that at least 25% of funds must serve low-income households by providing homeownership and rental / lease purchase opportunities to households with incomes at or below 50% of area median income through the improvement and reuse properties as housing.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Publ. L 111-203) include amendments to the allocation of NSP2 funds to the CRA NSP2 Consortium and a third appropriation to the Neighborhood Stabilization Program. The law amends the low-income set-aside requirement by removing the restriction that allows only abandoned or foreclosed upon homes or residential properties to be used to meet this requirement. Grantees may now use vacant or demolished property to meet the set-aside as well. This language also allows non-residential property to be used if the project is undertaken under Eligible Use E, though such sites might require rezoning to allow the development of housing.

Therefore, to meet the set-aside requirement, eligible properties include:

- Existing City-owned or Land Banked-owned, Abandoned/Foreclosed Residential Lots or Residential Structures
- Abandoned/Foreclosed Residential Lots
- Abandoned/Foreclosed Residential Structures
- Any Vacant or Demolished Property to be redeveloped as Housing, including those properties zoned residential or non-residential

This activity may include:

- Acquisition and rehabilitation of unit for resale or rental, where Consortium Member and grantees or program partner purchases residential property. Residential property is rehabilitated to meet rehabilitation standards and then sold or leased to income eligible household. Note: To meet set-aside, Acquisition and Rehabilitation is NSP2 Eligible Use B if property is residential abandoned or foreclosed structure or NSP2 Eligible Use E if property is residential vacant or demolished structure.
- Demolition of a blighted, vacant house with a new house built on the site and sold or rented to an income-qualified household.
- Redevelopment of a vacant lot with a new house built on the site and sold or leased to an income-qualified household. Consortium Members and grantees must demonstrate market can absorb new construction unit. Note: To meet set-aside, Acquisition and Rehabilitation is NSP2 Eligible Use B if property is residential abandoned or foreclosed lot OR NSP2 Eligible Use E if property is residential vacant lot.
- Redevelopment of commercial structure into multi-family housing and sold or leased to an income-qualified household. Note: NSP2 Eligible Use E.
- Providing homebuyer assistance in the form of down payment assistance, closing cost assistance and mortgage buy down for income-eligible household where they purchase a foreclosed, abandoned, or vacant residential property. Note: A CDBG rule allows NSP funds to assist only 50% of the down payment required by the lender.

Meets 25% Low-income Set-aside Requirement (cont'd)

In every case that a property is purchased, the Consortium Member and grantees or program partners must ensure the outcome is homeownership, lease purchase or rental to an income-eligible household. Each household benefitting from homeownership or lease purchase will be required to attend post-purchase counseling. CRA will provide attend eight hours of homebuyer education from a HUD-certified housing counseling agency. In addition, some homebuyers provide further guidance in a module on lease purchase and post-purchase counseling.

Homebuyer Guidelines

Sales Price Requirements

NSP2 requires that the sales price cannot exceed Total Development Costs or Appraised Fair Market Value / Market Sales Price, whichever is lower.

Affordability Requirements

Affordability requirements cover two aspects of project requirements:

1. Housing Cost Burden and Mortgage Requirements: For homeownership activities, housing cost burden is defined as principal, interest, taxes and insurance (PITI) and shall not exceed 30% of household's gross monthly income.
2. Long-term Affordability Requirements: Long-term affordability requirements of the HOME Investment Partnerships Program requirements found at 24 CFR 92.254 will apply. Recapture guidelines apply, and affordability is based on dollar amount of final direct NSP subsidy that enabled homebuyer to purchase unit. A recordable document is placed on the unit to ensure continued affordability. CRA will require prior written authorization for the use of resale provisions as an affordability mechanism under Camden NSP2 Consortium.

Recapture or repayment is a mechanism to recover all, or a portion, of the direct assistance if the buyer sells the house during the period of long-term affordability. Direct assistance is defined as the total amount received by the buyer for down payment assistance, closing cost assistance, mortgage financing, or principal buy down, etc. CRA will utilize a forgivable loan model to recapture all or a portion of the assistance provided. The long-term affordability and recapture guidelines are summarized on the page that follows.

Long Term Affordability Guidelines

| Subsidy Type | Recordable Document | Continued Affordability Requirement |
|--------------|----------------------------------|---|
| Development | Construction Mortgage | Satisfied at Home Sale or Permanent Financing |
| Homebuyer | Forgivable, Soft Second Mortgage | Affordability Period based on Direct Homebuyer Assistance |

Recapture Guidelines

| Direct Assistance | Affordability Period | Amount Forgiven |
|------------------------------|----------------------|---|
| Less than \$15,000 per unit | 5 years | 1/5 of direct subsidy amount per year over five years |
| \$15,000 - \$40,000 per unit | 10 years | 1/10 of direct subsidy amount per year over 10 years |
| More than \$40,000 per unit | 15 years | 1/15 of direct subsidy amount per year over 15 years |

Recommended Subsidy Limits and Fees for Professional Service Providers

Construction costs must be reasonable based on underwriting to prevent undue enrichment and non-luxury improvements, such as, but not limited to, pools, Jacuzzis, and wine cellars. CRA has adopted the underwriting standards of New Jersey Housing and Mortgage Finance's 2010 CHOICE program (Attachment E).

Underwriting Limits

| Assistance | Description |
|---------------------------------------|--|
| Appraisal Gap / Development Subsidy | Total Development Costs less Appraised Value / Market Sales Price |
| Affordability Gap / Homebuyer Subsidy | Appraised Value / Market Sales Price less Buyer Purchase Power. Buyer Purchase Power based on 30-year fixed rate mortgage where |
| | PITI ranges between 20% to 30% Housing to Income Ratio and does not 40% Debt to Income Ratio |
| Total Subsidy per Unit | Development Subsidy + Homebuyer Subsidy |

Underwriting Limits

| Professional Fee* | Description | Incentive |
|----------------------------------|--|--|
| Developer Fee (Developer's Only) | Percentage of Total Development Costs awarded to Developer for providing professional services to manage construction and marketing strategy to sell house to qualified, income-eligible buyer | Up to 10% of Total Development Costs Budget for carrying costs for up to six months |
| Sales Referral Fee | Percentage of Homes Sales Price awarded to State of Camden Licensed Real Estate Agent for bringing a qualified, income-eligible buyer to purchase NSP-assisted house Developer is eligible to receive fee if they bring buyer to close and have a licensed real estate agent on staff | 6% of sales price or \$5,000 whichever greater |
| Housing Counseling | Fee for bringing a qualified, income-eligible buyer to purchase and close on NSP-assisted house | As detailed in Consortium Member agreements |
| *All fees paid out at closing. | | |

Rental Guidelines

Affordability Requirements

Rental units completed with NSP funds should be targeted to households with income at or below 120% AMI. If the rental project seeks to meet the low-income set-aside requirement, then units completed with NSP funds must be leased to households at or below 50% AMI.

1. Long-term Affordability

Long-term affordability requirements of the HOME Investment Partnerships Program, found at 24 CFR 92.252 (a), (c), (e) and (f), will apply. The long-term affordability period is based on the total NSP dollar amount per unit.

The long-term affordability regulation is enforced through a mortgage lien recorded on the property for the length of that period.

The long-term affordability requirements are summarized below:

| Direct Assistance | Affordability Period |
|------------------------------|----------------------|
| Less than \$15,000 per unit | 5 years |
| \$15,000 - \$40,000 per unit | 10 years |
| More than \$40,000 per unit | 15 years |
| Rental New Construction | 20 years |

Underwriting Criteria

CRA will adopt the underwriting criteria of the of the lead subsidy source in the project (i.e. NJHMFA LIHTC Program or local HOME funds). CRA recommends the following final subsidy limits on rental / projects:

| COUNTIES | 0 BR | 1 BR | 2 BR | 3 BR | 4 BR |
|--|-----------|-----------|-----------|-----------|-----------|
| Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean, Salem | \$134,776 | \$154,495 | \$187,866 | \$243,037 | \$266,781 |

VII. ACTIVITY DESCRIPTION: DEMOLITION AND/OR LAND BANKING

Demolition of blighted structures and holding and maintaining of vacant lots in a land bank results in a temporary outcome of a site that is cleared and prepared to produce a buildable lot for future redevelopment. The disposition of land banked properties will be guided by redevelopment plans that govern approved CRA NSP 2 census tracts and will be overlaid with considerations for:

- NSP2 regulations on future redevelopment of property
- Market conditions

For purposes of the NSP2 activity outcomes, land banking is the holding of any property prior to or after February 10, 2013. If the Consortium Member and grantees holds the property beyond February 10, 2013, the property must be redeveloped or an eligible disposition must occur per NSP2 regulations prior to February 11, 2020.

It is important to note that there can be only one outcome for a particular project during the program period. It is either residential development or land banking, but never both. If the property is redeveloped during the grant period into a residential use, then it is residential development. If it is not, then it must meet the requirements of the land banking activity and be counted as an outcome accordingly. Land Banking is an LMMA (or area) benefit and will become a LMMH (or housing) benefit when redeveloped in Years 4 – 10.

Guidelines

Subsidy Limits

NSP 2 funds will be used to finance of the cost of Demolition and Management of NSP 2 Land Banked properties. This may include greening, maintenance and disposition of land banked property for the three-year program period. Costs must be reasonable and necessary.

Acquisition

URA compliant Appraisals are required on all acquisitions of foreclosed property, unless the value is less than \$25,000, which requires only a Market Valuation, State Equalized Value or other equivalent method. Please refer to Section 2 – Federal Regulations of this document for further guidance and requirements to acquire foreclosed residential property.

Acquisition costs include:

- Purchase price
- Closing costs
- Title clearance
- Environmental review
- Activity Delivery Staff Costs (Set-up and Billed under Eligible Use C – Feasible Activity Delivery Costs)

Demolition

Consortium Member and grantees must demonstrate property is blighted per the definition outlined in the Camden NSP2 Consortium Application. Please refer to Heading 2 – Federal Regulations on pages 3 for further guidance and requirements on demolition of blighted structures and the Glossary for the definition of blighted.

Demolition costs include, but are not limited to:

- Environmental risk assessment and abatement
- Demolition / Deconstruction Costs
- Disconnection of utilities
- Title clearance
- Site inspections to certify blighted condition
- Planting and fencing
- Activity Delivery Staff Costs (Set-up and Billed under Eligible Use D – Feasible Activity Delivery Costs)

Disposition of Land Banked Properties

NSP funds may be used to finance costs to maintain, manage and dispose of properties in the three- year program period. Costs may include:

Disposition costs may include, but are not limited to:

- Insurance
- Maintenance, e.g. lawn mowing and debris removal
- Staffing and soft project delivery costs to manage land banked properties
- Marketing
- Activity Delivery Staff Costs (Set-up and Billed under Eligible Use C – Feasible Activity Delivery Costs)

NSP2 Lien Requirements

| Activity | Held by (mortgagor) | Terms |
|--|---------------------|--|
| Demolition, if stand-alone or green space redevelopment | CRA | Minimum 5-year forgivable, not prorated, in the amount of NSP2 assistance. Lien retained in grantee's file. |
| Demolition, as part of a NSP2-funded construction project | CRA | Amount of demolition will be included in the construction mortgage (see terms of construction mortgage below). |
| Demolition with end use being the sale or donation of vacant parcel. | CRA | Minimum 5-year forgivable, not prorated, in the amount of the NSP2 assistance. If sold for less than Fair Market Value, within 5 years, lien transfers to the new owner. |
| Construction of grantee-owned property, as part of a NSP2-funded construction project | CRA | 0% Construction mortgage. \$0 payment, discharged upon resale in compliance with regulations and upon accountability for tracking of sales proceeds; allows repayment of any construction loans (sample). Required only if grantee acquires, owns and develops property. |
| Construction of nonprofit and for-profit developer-owned property, as part of a NSP2-funded construction project | CRA | 0% Construction mortgage. \$0 payment, discharged upon resale in compliance with regulations and upon accountability for tracking of sales proceeds; allows repayment of any construction loans (sample). |
| Homebuyer subsidy | CRA | See Affordability Requirements under Homebuyer Guidelines (page 14) |

NOTE: The Consortium Member or grantee must provide an agreement, contract, or lien against non-grantee-owned property to ensure NSP2-assisted units meet NSP2 eligible activities and income-eligibility requirements and first mortgage product meets CRA standards. Such agreements, contracts or liens will be held by the grantee within their project files.

VIII. GLOSSARY

Abandoned. A home or residential property is abandoned if either (a) mortgage, tribal leasehold, or tax payments are at least 90 days delinquent, or (b) a code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies, or (c) the property is subject to a court-ordered receivership or nuisance abatement related to abandonment pursuant to state, local or tribal law or otherwise meets a state definition of an abandoned home or residential property.

Appraisals. If NSP2 funds are to be used to acquire a foreclosed upon home or residential property (other than through donation) and the market value of property is \$25,000 or more, the grantee must ensure that the purchase price includes a discount from the value established by an appraisal that meets the following requirements:

1. The appraisal must have been completed within 60 days of the offer made for the property (we have advised that an initial offer can be made, subject to the completion of the appraisal within 60 days of a final offer).
2. The appraisal must meet the URA definition of an appraisal (see 49 CFR 24.2(a)(3) and the five following requirements (see 49 CFR 24.103(a)(2)):
 - An adequate description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, an adequate description of the remaining property), including items identified as personal property, a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use, and at least a 5-year sales history of the property.
 - All relevant and reliable approaches to value. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser's opinion of value.
 - A description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.
 - A statement of the value of the real property to be acquired and, for a partial acquisition, a statement of the value of the damages and benefits, if any, to the remaining real property, where appropriate.
 - The effective date of valuation, date of appraisal, signature, and certification of the appraiser.

Blighted Structure. A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. Further defined in the Camden NSP2 Consortium Application as:

A blighted property is a blighted / abandoned / uninhabitable property that meets any of the following criteria:

- Declared a public nuisance in accordance with local housing, building, plumbing, fire, or other related code or ordinance.
- Attractive nuisance because of physical condition or use.
- Fire hazard or is otherwise dangerous to the safety of persons or property.
- Has had utilities, plumbing, heating, or sewerage disconnected, destroyed, removed, or rendered ineffective for a period of 1 year or more so that the property is unfit for its intended use.
- Has a subsurface structure or demolition debris that renders the property unfit for its intended use.

Bona Fide Lease or Tenancy: A lease or tenancy shall be considered “bona fide” only if: (1) mortgagor under the contract is not the tenant; (2) the lease or tenancy was the result of an arms length transaction; and (3) the lease or tenancy requires the receipt of rent that is not substantially less than fair market rent for the property. A “lease” does not have to be written, but either the lease or tenancy must meet the requirements of the Recovery Act.

Foreclosed. A home or residential property has been foreclosed upon if any of the following conditions apply: (a) The property’s current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency, or (b) the property owner is 90 days or more delinquent on tax payments, or (c) under state, local, or tribal law, foreclosure proceedings have been initiated or completed, or d) foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, contractor, subrecipient, developer, or end user.

Funding Agreement: The award agreement executed between CRA and Consortium Member and grantees on February 11, 2010 that outlines the terms and conditions of CRA and Consortium Member and grantees to expend and administer NSP2 funds.

Mortgage Bankers of American Delinquency Calculation: NSP grantees will use the Mortgage Banker Association (MBA) Delinquency Calculation Method to determine the current delinquency status of a mortgage. Under the MBA method, a loan would be considered delinquent if the payment had not been received by the end of the day immediately preceding the loan’s next due date (generally the last day of the month which the payment was due). Using the example above, a loan with a due date of August 1, 2009, with no payment received by the close of business on August 31, 2009, would have been reported as delinquent in September. From September 1 to September 30, 2009, the mortgage’s current delinquency status would be 30 days. On October 1, 2009, the mortgage’s current delinquency status would become 60 days.

Non-residential: NSP funds may be used to acquire and redevelop nonresidential property for housing under “Eligible Use E – Redevelop demolished or vacant properties.” Nonresidential uses include, but are not limited to, public parks or mixed residential and commercial use.

Program Partners: Local professional service providers, , realtors, property managers, etc. who are not direct grantees of NSP2 funds but have entered into a third-party contract with CRA to provide services, qualify buyers or rentersto implement NSP2 activities.

Developer: non-profit and for profit developers and other non-profit organizations that have entered into a contractual agreement with the CRA to deliver NSP 2 eligible units under this grant.

Land Banking/Greening Contractors: Non-profit organizations that have entered into a Consortium or other contractual agreement to provide maintenance and or redevelopment of Land Banked properties for open space under this grant.

Purchase Discount Price: Any purchase of a foreclosed upon home or residential property with NSP2 funds shall be at a one percent (1%) discount from the current market appraised value (or market valuation if less than \$25,000) of the home or property, taking into account its current condition, and such discount shall ensure that purchasers are paying below-market value for the home or property.

Homes or Residential Property: HUD interprets homes as any type of permanent residential dwelling unit, such as detached single family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes where treated under state law as real estate (not personal property). Residential properties includes all of the above plus vacant land that is currently designated for residential use, e.g. through zoning.

Vacant: “Vacant properties” includes both vacant land and properties with vacant structures on the land. However, HUD understands redevelopment to imply that properties were once developed; therefore previously undeveloped or “greenfield” sites may not be acquired under Eligible Use E.

For additional guidance on property types under each Eligible use, please refer to: the NSP Budget Guide, and <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nspterminology.pdf>.

Valuation: Any purchase of a foreclosed upon home or residential property that has an anticipated value of less than \$25,000 requires a market valuation instead of an appraisal. A market valuation is based on available data to verify value, and conducted and certified by a grantee-approved professional or entity with knowledge and qualifications to conduct such a review.

Section 2

CRA NSP2

Internal Policies and Procedures

Construction Requirements

Labor Standards

Labor standards laws apply to projects using NSP funds and involving physical construction such as public facilities and residential rehabilitation of eight or more units on a site. Rehabilitation of single family, detached housing units is exempt as long as fewer than eight units are included in the contract.

When a contract for work that includes NSP funds is bid or awarded, the contractor and subcontractors must comply with the applicable labor standards laws. NSP Grantees are required to ensure compliance with these laws. Guidance and forms for labor standards can be found at:

<http://www.nj.gov/dca/divisions/dhcr/offices/cdbg.html#labor>

The “Labor Standards Handbook” that can be accessed through the above link will be useful for further explaining the requirements and forms.

Exhibit F of this manual contains a table describing various development activities and whether federal prevailing wages (or “Davis/Bacon” wages) may be required.

HUD has published a document, “Streamlining Davis/Bacon” which explains HUD’s efforts to improve the labor standards administration process:

<http://www.hud.gov/offices/olr/streamline.cfm>

Section 3

The Camden Redevelopment Agency (CRA) has established that one of the purposes of the assistance provided for HUD funded projects is to give, to the greatest extent feasible, and consistent with Federal, State and local laws and regulations; job training, employment, contracting and other economic opportunities generated from the expenditure of this assistance to Sec. 3 residents and Sec. 3 businesses.

CRA has also established that consideration shall be given to the extent to which firms demonstrate that they will train and employ Sec. 3 residents and contract with Sec. 3 businesses for economic opportunities generated in connection with the project or activity assisted.

The preference required by Sec. 3 is neither gender specific nor race nor ethnic origin specific but one of income and location.

Lead-Based Paint

HUD's lead-based paint regulatory requirements (24 CFR Part 35) governing the acquisition, rehabilitation, leasing, operations, and sale of NSP-funded housing are applicable for rehabilitation or demolition of buildings constructed prior to 1978. Also, the US Environmental Protection Agency (EPA) has issued lead paint regulations (40 CFR Part 745), effective as of April 22, 2010, that will be applicable to the same universe of buildings. For additional information, see Leadsafe NJ Program webpage:

http://www.state.nj.us/dca/dcr/leadsafe/educa_material.html (scroll down to “Program Book” section)

Additional resources, including links for more technical information about lead hazard identification and mitigation are also available at:

- HUD's Office of Healthy Homes and Lead Hazard Control - Renovation, Repair and Painting (**<http://www.hud.gov/offices/lead/training/rrp/rrp.cfm>**)
- EPA (**<http://www.epa.gov/lead/index.html>**).

Generally, if NSP-funded construction work includes rehabilitation of existing housing, the following table briefly describes the required testing and treatment methods:

| Cost of Rehabilitation Work | Testing/Treatment Methods |
|------------------------------|---|
| \$1 to \$5,000 per unit | Limited Paint Testing Lead-Safe Work Practices |
| \$5,001 to \$25,000 per unit | Risk Assessment Interim Controls |
| \$25,001 and above per unit | Risk Assessment Lead Abatement - interior Interim Controls - exterior |

In all instances, the NSP-funded unit must be re-inspected to determine that the lead-paint hazard has been “cleared”.

NSP Grantees must retain records demonstrating compliance with Part 35 requirements for CRA's review.

Pre-Construction Conference

Within a week or as soon thereafter as is practical after a NSP 2 Project financing closing, a mandatory pre-construction conference must be held with each Consortium Member, Developer or Land Bank/Greening Contractor to review roles, procedures, and requirements imposed during construction. A letter is sent to the contracted party outlining the agenda for the conference in advance of the meeting.

In addition to resolving any outstanding documentation from the closing or any issues potentially delaying the start of construction, the preconstruction conference, at a minimum, will cover the following topics.

1. Team Member Introductions: Roles and responsibilities of CRA contract administration team during construction as well as Team members of the Consortium Member, Developer or Land Bank/Greening Contractor.

Pre-Construction Conference (cont'd)

2. Requisitions/Invoices: Timing of Submittals, and the need for complete documentation, including Section 3 employment verifications. Clarify that partial submissions will not be processed:
 - a) Program staff person and address to whom Requisitions are submitted
 - b) Outline of documents that constitute a Complete Requisition/Invoice Submission
 - c) Approval & Turn Around of Requests for Payment

3. Project Signage

A distinctive project sign must be incorporated in each project installation. In instances where lots are contiguous or consolidated only one sign is required. Where multiple lots are located within the same block, but are not contiguous, one sign per 75 feet is required. Signs may also be installed as placards on fencing. See “Signage Identifying Recovery Act Funded Projects” (attachment G) for additional information.

Construction Monitoring

CRA’s NSP Construction Project Manager is responsible for ensuring that contractors perform according to the construction documents and specifications that will include all NSP standards and Section 3 requirements (See Section 3 Policy and Guidance Documents in attachments D and H).

The NSP 2 Construction manager shall review the construction documents, including plans and specifications and evaluate the proposed construction. Once construction begins, the construction monitor will attend all Construction progress meetings. Where possible, the Construction Manager will provide assistance to facilitate City construction approvals (ex: building dept.) to ensure that the project remains on schedule.

Copies of all approvals and copies of meeting minutes shall be forwarded to the Construction Manager within 45 days of receipt.

Payments and Financial Management

Requests for reimbursement of actual expenses that have been incurred may only be submitted after the environmental review process has been completed for the unit(s) for which NSP funding is being requested. Specifically, this will mean all Tier 2 environmental review compliance (e.g. historic preservation, manmade hazards) has been documented and submitted to the Agency for review, and the Agency has accepted the Tier 2 environmental review findings (refer to the Environmental Review section, pages 10-11). Payment requests will be submitted to the Program Administrator. A Complete Requisition/Invoice Submission will consist of the following documents:

1. AIA G702 ()
2. Section 3 Documentation
 - a. Certified Payrolls
 - b. Form S3-104-Section 3 Business Certification form (if applicable)
 - c. Project Workforce Sheet
 - d. Form S3-309-Section 3 Resident Eligibility Certification Form (if applicable)
 - e. Monthly payroll form
3. Project timeline/schedule

Payments and Financial Management (cont'd)

4. Inspection Reports
 - a. During Construction Phase – a Completed Exterior Property Inspection Report for each Parcel which is the subject of each Payment Request.
 - b. Existing Conditions Photographs for each Parcel prior to installation of work.
 - c. During the Property Maintenance Phase – Monthly Property alerts or notification of changes in site conditions and, if appropriate, recommended actions since last reporting period.
 - d. Existing Conditions after construction installation Photographs

NSP2 requisitions are processed monthly on the 15th day of the month. Three (3) copies of the complete requisition package must be received five (5) business days, prior to the 15th day of the month to allow adequate time for review and approval.

Payment Requisitions are generally processed within ten (10) business days. Checks will be mailed three (3) business days after the Payment Request is processed and approved by Federal Department of Housing & Urban Development (“HUD”). (The requisition approval process is detailed in Attachment I).

Final Payment/Grant Close-out

CRA shall withhold 10% of the contract amount from the contracted party until the approved grant activities have been completed and the NSP contractee has submitted required documentation that evidences completion of the activities. The specific documentation will be tailored for the needs of each NSP contract, but generally will include the following:

- Certification income eligibility for each household that occupies a completed NSP unit.
- Original versions of NSP mortgage loan documents executed and recorded.
- Original affordability control documentation, executed and recorded.
- Narrative and photos.
- Final certification of costs and funding sources for the entire grant. If the grantee is not a unit of government, this certification must be completed by a certified public accountant.

The CRA will review this submitted documentation and, if acceptable, will release the final grant payment and close-out the NSP grant.

Audit Requirements

The NSP Grantee shall comply with the audit requirements that are listed in Section XXVIII of the “General Terms and Conditions for Administering a Grant/Loan” which accompanies the Grant Agreement

Monitoring

CRA views monitoring as a way to assist consortium members, build capacity, and resolve issues that may delay performance. Therefore, during the program period, CRA will conduct ongoing monitoring of the CRA NSP2 Consortium to ensure program compliance and sound financial management of NSP2 funds. CRA will provide the appropriate forms and checklists to assist in the preparation of and prepare for monitoring. Program partners are required to respond to any additional requests from CRA and HUD.

The CRA wants and anticipates success from all of its Consortium Members, Developers, and Land Bank/Greening Contractors.

CRA requires bi-monthly reports from Consortium Members, Developers, and Land Bank/Greening Contractors on the status of their NSP-funded projects. The quarterly report must be submitted by [date] and can be submitted via email in a format acceptable to CRA. Generally, an NSP Grantee will be required to report on the following criteria: acquisition of properties, status of financing, municipal approvals, or construction completion, qualifying eligible households and occupancy of completed units. The information in these reports will in turn be submitted to HUD as required under NSP 2 grant (via the “Disaster Recovery Grant Reporting” system, or DRGR). NSP Grantees that do not provide reports in a timely and accurate fashion will be restricted in their ability to submit future payment requests.

NSP Consortium Members, Developers, and Land Bank/Greening Contractors must constantly monitor performance to ensure that time schedules are being met, projected milestones are being accomplished, and other performance goals are being achieved in accordance with the approved application. In addition, grant activities must be conducted in compliance with federal and state requirements. Problems, delays, or adverse conditions that will affect the NSP Grantee's ability to meet its program objectives or its time schedules must be promptly reported to CRA.

The Agency will perform periodic monitoring visits during the term of the Project contract to view and assess progress on the approved grant activities, and to review records being kept by the contractor to ensure that all applicable federal and state requirements are being met.

When CRA and HUD conduct on-site monitoring or audits of the NSP2 grants, the Consortium Member or grantee or developer must arrange for appropriate staff, and all program/project files to be available.

The CRA hosts monthly communications with Consortium Members, Developers, and Land Bank/Greening Contractors. These may take the form of in-person meetings, conference calls, or mass email communications. Agendas for these meetings include NSP Policy Alerts, Section 3 Compliance, reporting and monitoring and may include discussions on marketing project challenges and other issues of concern.

In addition to the monthly communications, the Program Administrator and Program Managers are in frequent contact with Consortium Members, Developers, and Land Bank/Greening Contractors to assess project progress and to troubleshoot issues and concerns

The NSP Project Coordinator is primarily responsible for on-site monitoring and will conduct quarterly on-site monitoring visits. (See attachment J for a copy of the on-site monitoring checklist) Each grantee will receive a follow up letter after each site visit which indicates areas that Consortium Members, Developers, and Land Bank/Greening Contractors are successfully meeting or succeeding NSP 2 compliance standards, areas for improvement, and any areas of non-compliance. Areas for improvement and non-compliance will be reviewed with the Program Manager of organization being monitored and a corrective action plan will be developed, if needed.

CRA staff will follow up with corrective action plans within 30 - 45 days to ensure that corrective measures are being implemented.

Section 3

CRA NSP2

Operations Manual

Attachments

- A. RAMP
- B. NJ Green Homes Office Green Future for CHOICE
- C. HUD Lead based paint regulatory requirements
- D. Section 3 Policy
- E. Underwriting Standards of New Jersey Housing & Mortgage Finance's 2010 CHOICE program
- F. Davis Bacon Applicability
- G. Signage Identifying Recovery Act Funded Projects
- H. Section 3 Guidance Document (also referred to as Executive Summary)
- I. Requisition approval process
- J. On-site monitoring checklist
- K. Procurement Policy

