

**St. Clair County
Intergovernmental Grants Department/
Community Development**

**New Construction
Policy, Procedure, and Standards**



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EXECUTIVE SUMMARY

The purpose of this Policy and Procedure Manual is to provide guidance regarding the New Construction process with HOME funding including the revised HOME criteria per the HOME Final Rule.

The HOME Investment Partnerships Program is a U.S. Department of Housing and Urban Development (HUD) grant program administered by St. Clair County, as a participating jurisdiction (PJ). Owners/Developers, Contractors and Subcontractors must agree to comply with all applicable federal and state requirements as required in 24 CFR Part 570 (Community Development Block Grants) and/or 24 CFR Part 92 (Home Investment Partnerships Program).

Key Definitions

Affordability Period

The time during which HOME Loan financed units must remain affordable to eligible households, as defined by HOME program regulations. The Period of Affordability shall commence upon completion of the project and shall run for the period required under HOME regulations or the term of the HOME Loan, whichever is greater.

Commitment

The County has executed a legally binding written agreement with the project owner/developer to use a specific amount of HOME funds to produce affordable housing or has met the requirements to commit to a specific local project. (24 CFR Part 92) Commit to a specific local project means: If the project consists of rehabilitation or new construction (with or without acquisition) the County and owner/developer have executed a written legally binding agreement under which HOME assistance will be provided to the owner/developer for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within twelve months of the agreement date.

Developer

An individual or entity that undertakes the planning, construction, and/or rehabilitation of housing projects, often with HUD financing or through HUD programs. Developers are responsible for the overall vision and design of a project, including site selection, zoning compliance, and project feasibility studies. They oversee the construction of new buildings or the rehabilitation of existing ones, ensuring compliance with building codes and HUD requirements. Developers secure funding for their projects, which may include HUD loans, grants, or private financing. They must adhere to specific HUD program rules and regulations, including requirements for affordability and project documentation. Developers manage the entire project lifecycle, from initial planning to completion and, in some cases, ongoing management of the property.

Housing

May include single or multi-family units, manufactured housing and manufactured housing lots, permanent housing for disabled homeless persons, and single-room occupancy housing. Housing may also include elder cottage housing opportunity (ECHO) units that are small, free-standing, barrier-free, energy-efficient, removable, and designed to be installed adjacent to existing single-family dwellings. Housing does not include emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, halfway houses, housing for students, or dormitories (including farm worker dormitories). (24 CFR Part 92)

Low-income families

Families whose annual incomes do not exceed 80% of the median income for the area, as determined by HUD, with adjustments for smaller and larger families. An individual does not qualify as a low-income family if the individual is a student who is not eligible to receive Section 8 assistance. (24 CFR Part 92).

New construction

HOME funds may be used for new construction of both rental and ownership housing. Any project that includes the addition of dwelling units outside the existing walls of a structure is considered new construction.

Owner

The HOME funds must be provided to the entity that owns the project.

Policy

A guiding principle that outlines what the organization does and why.

Program income

Gross income received by the County, directly generated from the use of HOME funds or matching contributions. When program income is generated by housing that is only partially assisted with HOME funds or matching funds, the income shall be prorated to reflect the percentage of HOME funds used. Program income includes, but is not limited to, the following:

- 1) Proceeds from the disposition by sale or long-term lease of real property acquired, rehabilitated, or constructed with HOME funds or matching contributions;
- 2) Gross income from the use or rental of real property, owned by the County, that was acquired, rehabilitated, or constructed, with HOME funds or matching contributions, less costs incidental to generation of the income (*Program income* does not include gross income from the use, rental or sale of real property received by the project owner, developer, or sponsor, unless the funds are paid by the project owner, developer, or sponsor to the County);
- 3) Payments of principal and interest on loans made using HOME funds or matching contributions;
- 4) Proceeds from the sale of loans made with HOME funds or matching contributions;
- 5) Proceeds from the sale of obligations secured by loans made with HOME funds or matching contributions;
- 6) Interest earned on program income pending its disposition; and
- 7) Any other interest or return on the investment permitted under 24 CFR 92.205(b) of HOME funds or matching contributions.

Project

A site or sites together with any building (including a manufactured housing unit) or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with HOME funds as a single undertaking under this part. The project includes all the activities associated with the site and building. (24 CFR Part 92).

Project completion

All necessary title transfer requirements and construction work have been performed; the project complies with the requirements of this part (including the property standards); the final drawdown of HOME funds have been disbursed for the project; and the project completion information has been entered into IDIS, except that with respect to rental housing completion, project completion occurs upon completion of construction and before occupancy. (24 CFR Part 92).

Procedure

Step-by-step instructions on how to carry out a policy or task.

Reconstruction

This refers to rebuilding a structure on the same lot where housing is standing at the time of project commitment. HOME funds may be used to build a new foundation or repair an existing foundation. Reconstruction may take place anywhere on the lot; however, reconstruction of a single-family unit in a new location on the lot is classified as new construction for purposes of environmental review. Reconstruction of multi-family is viewed as new construction for the purposes of environmental review if the number of units is increased or decreased by more than 20% and/or the cost of reconstruction is more than 75% of the total estimated cost of the replacement after the work is completed. Refer to 24 CFR Part 58 for more information.

Sponsor

An organization that contracts with a grantee to receive assistance and administer a project, often a housing development. Sponsors can be various entities, including nonprofit organizations, state or local housing agencies, or even public entities. They are responsible for ensuring the project adheres to program regulations and other applicable laws. The sponsor must ensure the project complies with the terms of the grant agreement and all applicable regulations, including those related to affordability, tenant selection, and other program requirements. The sponsor typically contracts with a grantee, who is the entity that actually receives the grant funds. The grantee then oversees the sponsor's work to ensure compliance with program rules.

Standard

The expected level of quality or performance for a task or outcome.

Very low-income families

Families whose annual incomes do not exceed 50% of the median family income for the area. An individual does not qualify as a very low-income family if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.612.

NEW CONSTRUCTION POLICIES

Program Guidelines

Eligible Activities

In accordance with [24 CFR 92.205](#), eligible new construction activities must be carried out for income-eligible households and must result in permanent housing that meets the property standards outlined in [24 CFR 92.251](#) upon project completion. Direct homebuyer assistance must comply with [24 CFR 92.254](#), including affordability period and resale or recapture requirements.

Eligible Activities Include:

- New construction of rental or homebuyer property; and
- Direct financial assistance to homebuyers of HOME-assisted property.

HOME funds must be used during the construction of the property. *Eligible activities under this manual are limited to the new construction of housing units. Rehabilitation-only and acquisition-only projects are not covered herein.*

Income Eligibility & Determination

In accordance with [24 CFR 92.203](#), all households assisted under the HOME New Construction Program must meet the income eligibility requirements established by HUD. The IGD/CD and the owner/developer are responsible for ensuring that households qualify as low-income (i.e., ≤80% of Area Median Income [AMI]) at the time of occupancy or assistance.

- 1) Income Limits
 - a) Income limits are published annually by HUD and must be used to determine eligibility at the time of assistance.
 - b) The income limits applicable are those in effect on the date of income determination
- 2) Methods of Determining Income

The household's income must be determined using one of the following HUD-approved methods:

 - a) Part 5 (Section 8) Annual Income Definition – as defined in [24 CFR 5.609](#); or
 - b) IRS Form 1040 Adjusted Gross Income; or
 - c) Census Long Form Method (only allowed if approved under specific program guidance)
- 3) Documentation and Verification
 - a) Income must be verified through source documentation (e.g., pay stubs, benefit letters, bank statements).
 - b) Third-party verifications should be used where feasible; self-certification is not acceptable unless otherwise permitted by HUD in specific emergency guidance.

- c) Verification must not be more than six months old at the time of project commitment.

Financial and Compliance Requirements

Performance Monitoring

The St Clair County Intergovernmental Grants Department (IGD)/ Community Development Group (CD) is responsible for ensuring that HOME funds are used in accordance with 24 CFR Part 92 , CPD Monitoring Handbook (Chapter 7: Exhibit 7-27, 7-29 & 7-30), (HUD) U.S. Department of Housing and Urban Development , and all program requirements and written agreements. The IGD/CD shall take appropriate action when performance problems arise. With respect to written agreement, the IGD/CD has the right to require specific performance expectations to ensure a timely and effective use of HOME funds. For details of compliance monitoring, refer to the Self-Monitoring section or **the Policy and Procedure Manual for Compliance Monitoring**, available on St. Clair County Illinois > Departments > Intergovernmental Grants > Community Development (RC Version: 9.13.3.0)

Payment and Reimbursements

Set forth by 24 CFR 92.504, the IGD/CD must have an executed contractual agreement to initiate any payments or reimbursements. For new construction activities, the IGD/CD will not issue payments from County coffers without proper documentation in accordance with HUD requirements.

County funds must be deposited into an account with a County approved Title Company. The account must be maintained by a separate federally insured account and be contractually bound through an agreement executed with the County detailing instructions containing the terms of release of payments.

Procurement

In accordance with 2 CFR Part 200 Subpart D, Owners/developers will ensure cost reasonableness for transactions through procurement processes; they must ensure all costs are considered reasonable in accordance with cost and price analysis as described in the **St. Clair County IGD Finance Procedures Manual** which can be located at St. Clair County Illinois > Departments > Intergovernmental Grants > Community Development (RC Version: 9.13.3.0).

Match Requirements

Set forth by 24 CFR Part 92.218, owners/developers are required to make contributions to housing that qualifies as affordable housing under the HOME Program. Owners/developers must ensure match contributions of not less than 25 percent of the HOME funds drawn down. Match contributions must occur **during the same period** in which the **HOME funds are expended**. This means that the match must be documented at the time the HOME funds are drawn down or used.

Eligible forms of matching contributions must be made from nonfederal resources and may be in the form of one or more of the following:

- 1) Cash contributions from nonfederal sources
- 2) Forbearance of fees -State and local taxes, charges or fees.
- 3) Donated Real Property

- 4) The cost, not paid with Federal resources, of on-site and off-site infrastructure that the participating jurisdiction documents are directly required for HOME-assisted projects
- 5) Proceeds from multifamily and single family affordable housing project bond financing validly issued by a State or local government, or an agency or instrumentality of a State or local government or a political subdivision of a State and repayable with revenues from the affordable housing project financed
- 6) The reasonable value of donated site-preparation and construction materials, not acquired with Federal resources.
- 7) The reasonable rental value of the donated use of site preparation or construction equipment.
- 8) The value of donated or voluntary labor or professional services in connection with the provision of affordable housing.
- 9) The value of sweat equity provided to a homeownership project, under an established component of a participating jurisdiction's program, up until the time of project completion (i.e., submission of a project completion form).
- 10) The direct cost of supportive services provided to families residing in HOME-assisted units during the period of affordability or receiving HOME tenant-based rental assistance during the term of the tenant-based rental assistance contract.
- 11) The direct cost of homebuyer counseling services provided to families that acquire properties with HOME funds including ongoing counseling services provided during the period of affordability.

Regulatory and Legal Compliance

Conflict of Interest

No employee, officer, or agent of the owner/developer shall participate in the selection or in the award or administration of a contract supported by HOME funds if a conflict of interest, real or apparent, would be involved. Such a conflict could arise if the employee, officer or agent; any member of his/her immediate family; his/her partner; or an organization which employs or is about to employ any of the above, has a financial or other interest in the firm selected for award.

No officer, employee or agent of the owner/developer shall solicit or accept gratuities, favors or anything of monetary value from contractors or firms, potential contractors or firms, or parties to sub-agreements, except where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value.

No member, officer, or employee of the municipality, or its designees or agents, no member of the governing body of the locality in which the program is situated, and no other public official of such locality or localities who exercises any function or responsibilities with respect to the program during his/her tenure or for one year thereafter, shall have any interest, direct or indirect, in any contract or subcontract, or the proceeds thereof, for work to be performed in connection with the program assisted under the Grant, and that it shall incorporate, or cause to be incorporated, in all such contracts or subcontracts a provision prohibiting such interest pursuant to the purposes of this certification.

Any alleged violations of these standards of conduct shall be immediately referred to St. Clair County Intergovernmental Grants Department. Where violations appear to have occurred, the offending employee, officer or agent shall be subject to disciplinary action, including but not limited to dismissal or transfer; where violations or infractions appear to be substantial in nature, the matter may be referred to the appropriate officials for criminal investigation and possible prosecution.

This Conflict of Interest policy is established in accordance with 24 CFR 92.356, 24 CFR 570.611, and 2 CFR Part 200.

Resale/Recapture Policies

To ensure that HOME investments yield affordable housing over the long term, HOME regulations impose occupancy requirements over the length of an affordability period. If a house purchased with HOME funds is sold during the affordability period, recapture or resale provisions as per 24 CFR 92.254 shall apply to ensure the continued provision of affordable homeownership.

The IGD/CD has adopted a recapture provision for all Homebuyer Activities using HUD HOME funds as a Direct Homebuyer Subsidy or if the project includes both a Direct and Development Subsidy.

The IGD/CD shall require that Resale provisions be used in the event that **only** a Development Subsidy is used to make the home affordable (i.e. funding construction to the owner/developer).

Certification Regarding Debarment, Suspension, Ineligibility And Voluntary Exclusion--Lower Tier Covered Transactions.

A person who is debarred or suspended shall be excluded from Federal financial and nonfinancial assistance and benefits under Federal programs and activities (2 CFR Part 180). The undersigned representatives of the BORROWER each certify, to the best of their knowledge and belief, that:

- 1) Neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this contract; and
- 2) It will include the following clause without modification, in all proposals, agreements, contracts, proposals, or other lower tier covered transactions:
 - "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier Covered Transaction: (A) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department. (B) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal."
- 3) HOME Funds may not be used to directly or indirectly employ, award contracts to, or otherwise engage the services of any contractor or subrecipient during any period of debarment, suspension, or placement of ineligibility status (48 CFR Part 9 Subpart 9.4). Prior to entering into any HUD-funded agreement, the IGD/CD will be provided status of all known contractors, subcontractors (including sub-tier contractors), consultants,

and subrecipients for registration and UEI numbers in the System for Award Management (SAM), found at <https://www.sam.gov>.

The debarment/suspension status will be checked in the SAM system for the following entities:

- 1) Owner/Developer
- 2) General contractors
General contractors check System for Award Management (SAM) for subcontractors and will provide completed SUBCONTRACTOR UEI NUMBER & DEBARMENT STATUS Form to IGD/CD staff.

Temporary Relocation

If an owner/developer plans to relocate residents temporarily such tenants must be provided:

- 1) **Reimbursement** for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including the cost of moving to and from the temporarily occupied housing and any increase in monthly rent/utility costs (49 CFR 24.202).
- 2) **Appropriate advisory services**, including reasonable advance written notice of:
 - a) The date and approximate duration of the temporary relocation (49 CFR 24.203);
 - b) The location of the suitable, decent, safe, and sanitary dwelling to be made available for the temporary period (49 CFR 24.205) ;
 - c) The terms and conditions under which the tenant may lease and occupy a suitable, decent, safe, and sanitary dwelling in the building/complex upon completion of the project (49 CFR 24.205); and
 - d) The provisions of related to out of pocket expenses (49 CFR 24.205)

Fair Practices and Economic Opportunities

Non-Discrimination

St. Clair County shall comply with all applicable non-discrimination laws and regulations, including those enforced by the U.S. Department of Housing and Urban Development (HUD) or any other applicable funding source, and shall ensure that no person is excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity funded in whole or in part by HUD and/or any other applicable funding source.

Section 3/Minority Business Enterprise (MBE) Requirements

If applicable, compliance with Section 3 of the HUD Act of 1968 is required wherever HUD financial assistance is expended for housing or community development. To the greatest extent feasible, economic opportunities will be given to Section 3 residents and businesses in that area. Section 3 residents include public housing residents, low-and very low-income persons who live in the metropolitan area or non-metropolitan county where the HUD assisted project is located.

HUD has mandated that the CDBG and HOME Program in St. Clair County take all necessary, affirmative steps to ensure awarded contractors make efforts to encourage the use of minority and

women business enterprises, referred to as a Minority Business Enterprise (MBE). The IGD/ CD has set an overall goal of fifteen percent (15%) for the Minority Business Utilization Rate. The owner/developer shall include, to the maximum extent possible, the use of minorities and women, and entities owned by minorities and women, including, without limitation, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services, in all contracts entered into as a result of the HOME funding.

Environmental and Safety Standards

Environmental Review

The owner/developer shall comply with 24 CFR Part 58 regarding the environmental review requirements as stated in the **St Clair County's IGD/CD Environmental Policies and Procedures** which can be located at St. Clair County Illinois > Departments > Intergovernmental Grants > Community Development (RC Version: 9.13.3.0).

Lead Based Paint Requirements

In accordance with HUD's lead-based paint regulations at 24 CFR Part 35, Subparts A and B will apply. For HUD funded new construction projects, lead hazard evaluation and reduction activities must be carried out for all projects constructed before 1978. In all cases, notification must be made to the homeowner/buyer in the form of the **HUD Lead Hazard Information Pamphlet and Disclosure** or an acceptable alternative pamphlet.

The required evaluation and reduction activity is dependent upon the amount of HUD funding used for the project.

Funding Amount	Testing Requirements	Lead Hazard Reduction Requirements	Additional Requirements
≤ \$5,000	Paint testing of disturbed surfaces	Repair disturbed surfaces using safe work practices	Clearance testing by a certified professional upon project completion
\$5,001 - \$25,000	Paint testing of disturbed surfaces - Risk assessment required	Use of interim controls (e.g., paint stabilization, addressing friction/impact surfaces) Safe work practices must be followed	Clearance testing by a certified professional upon project completion
> \$25,000	Paint testing of disturbed surfaces - Risk assessment required	Abatement of hazards (permanent removal of lead-based paint hazards via paint/component removal, replacement, encapsulation, or enclosure)	Clearance testing by a certified professional upon project completion

Funding Amount	Testing Requirements	Lead Hazard Reduction Requirements	Additional Requirements
		Interim controls & paint stabilization may be used on the exterior if not included in rehabilitation scope Safe work practices must be followed	

Tenant and Housing Stability

Displacement, Relocation, and Acquisition

The owner/developer shall ensure that it has taken all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of a project assisted with HOME funds. To the extent feasible, residential tenants must be provided a reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary, and affordable dwelling unit in the building/complex upon completion of the project.

Relocation Assistance For Displaced Persons

If an owner/developer displaces a person, that person must be provided relocation assistance at the levels described in, and in accordance with the requirements of the (42 USC Ch. 61:) Uniform Relocation Assistance And Real Property Acquisition Policies Act of 1970 and 24 CFR 92.353. This applies to any permanent, involuntary move for an assisted project, including any permanent move from the real property that is made:

- 1) After notice by the owner/developer to move permanently from the property, if the move occurs on or after the date of the submission of an application to the County, if the applicant has site control and the application is later approved; or
- 2) After the date the jurisdiction approves the applicable site, if the applicant does not have site control at the time of the application; or
- 3) Before the notice by the owner/developer to move permanently from the property, if the County determines that the displacement resulted directly from acquisition, rehabilitation, or demolition for the project; or By a tenant-occupant of a dwelling unit, if any one of the following three situations occurs:
- 4) The tenant moves after execution of the agreement covering the acquisition, rehabilitation, or demolition and the move occurs before the tenant is provided written notice offering the tenant the opportunity to lease and occupy a suitable, decent, safe, and sanitary dwelling in the same building/complex upon completion of the project under reasonable terms and conditions.

Reasonable Terms & Conditions for Tenants Remaining in the Project

Such reasonable terms and conditions must include a term of at least one year at a monthly rent and estimated average monthly utility costs that do not exceed the greater of:

- 1) The tenant's monthly rent before such agreement and estimated average monthly utility costs; or
- 2) The total tenant payment, as determined under 24 CFR 5.628, if the tenant is low-income, or 30 percent (30%) of gross household income, if the tenant is not low-income;

Temporary Relocation Assistance

A tenant who is required to relocate temporarily and does not return to the building/complex, may experience one of the following:

- 1) The tenant is not offered payment for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation; or
- 2) Other conditions of the temporary relocation are not reasonable; or
- 3) The tenant is required to move to another dwelling unit in the same building/complex but is not offered reimbursement for all reasonable out-of-pocket expenses incurred in connection with the move, or other conditions of the move are not reasonable.

Conditions Where a Tenant is NOT Considered Displaced

A person does not qualify as a displaced person if

- 1) The person has been evicted for cause based upon a serious or repeated violation of the terms and conditions of the lease or occupancy agreement, violation of applicable federal, State or local law, or other good cause, and the County determines that the eviction was not undertaken for the purpose of evading the obligation to provide relocation assistance.
- 2) The person moved into the property after the submission of the application but, before signing a lease and commencing occupancy, was provided written notice of the project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, incur a rent increase), and the fact that the person would not qualify as a “displaced person” (or for any assistance under this section) as a result of the project.

Labor Standards and Construction Compliance

Build America, Buy America Act (BABA)

The owner/developer must comply with the requirements of the, Build America, Buy America Act (BABA), 41 USC 8301, and all applicable rules and notice, as may be amended, if applicable to the owner/developer’s project. Pursuant to HUD’s Notice, “Public Interest Phased Implementation Waiver for FY 2022 and 2023 of Build America, Buy America Provisions as Applied to Recipients of HUD Federal Financial Assistance” any funds obligated by HUD on or after the applicable listed effective dates, are subject to BABA requirements, unless excepted by a waiver. St Clair County IGD/CD’s Build America, Buy America Policies and Procedures can be

Labor Provisions

In accordance with 24 CFR 92.354, every contract for the construction (rehabilitation or new construction) of housing that includes 12 or more units assisted with HOME funds must contain a provision requiring the payment of not less than the wages prevailing pursuant to the Davis-Bacon and Related Acts | U.S. Department of Labor

The contract for construction must contain these wage provisions if HOME funds are used for any eligible project costs.

- 1) If HOME funds are only used to assist homebuyers to acquire single-family housing, and not for any other project costs, the wage provisions apply to the construction only if:
 - a) There is a written agreement with the owner or developer of the housing that HOME funds will be used to assist homebuyers to buy the housing
 - b) The construction contract covers 12 or more housing units to be purchased with HOME assistance.
- 2) Applicability Across Projects:
 - a) The wage provisions apply to any construction contract that includes a total of 12 or more HOME-assisted units, whether one or more than one project is covered by the construction contract.
 - b) Once they are determined to be applicable, the wage provisions must be contained in the construction contract so as to cover all laborers and mechanics employed in the development of the entire project, including portions other than the assisted units.
 - c) *Arranging multiple construction contracts within a single project for the purpose of avoiding the wage provisions is not permitted.*
- 3) Owner/Developer Responsibilities

Owners/developers shall ensure that bid and contract documents contain required labor standards provisions and the appropriate Department of Labor wage determinations;

 - a) Conduct on-site inspections and employee interviews;
 - b) Collect and review certified weekly payroll reports;
 - c) Correct all labor standards violations promptly;
 - d) Maintain documentation of administrative and enforcement activities; and
 - e) Require certification as to compliance with the provisions of this section before making any payment under such contracts.

NEW CONSTRUCTION PROCEDURES

Financial Reimbursement Procedure

Invoicing Reimbursement Procedure

In accordance with the contractual requirements for project reimbursement, the owner/developer shall adhere to the following procedure to receive reimbursement for new construction eligible expenses:

- 1) A signed invoice billing package including, request for payment cover sheet, a summary of expenditures, vendor forms must be completed with supporting documentation.
- 2) Supporting documentation at shall include a copy of vendor invoices, proof of payment received by the vendor, release of liens (if applicable), cancelled checks, paid bills, payrolls, time and attendance records, contract award documents, etc...
- 3) Upon receipt of the complete invoice reimbursement package, the IGD/CD shall review eligible costs and submit it to the County's Finance Group to issue payment.
- 4) After payment is issued, the County will complete IDIS draw down to reimburse the County from HOME funds provided by the U.S. Treasury.

Match Procedure

Owners/developers will be required to document eligible match for each project undertaken with HOME funds in accordance with eligible match requirements as described above policy section. Upon completion of each project, owner/developer shall provide a report to the County with the following:

- 1) Project Number
- 2) Date Project Committed
- 3) Project Address
- 4) Project Type
- 5) HOME Funds Expended
- 6) Date HOME Funds Expended
- 7) Amount of Match Liability Incurred
- 8) Value of Match Contribution
- 9) Type of Match
- 10) Date Match Recognized

IGD/CD staff shall collect all match information reported by the owner/developer for record keeping and reporting purposes.

Match Procedures are in compliance with all applicable regulations which can be located at [HOME Match | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#).

All reimbursement and match procedures shall be conducted in accordance with the applicable requirements of 24 CFR 92.206, 24 CFR 92.218, 24 CFR 92.222, 24 CFR 92.502, 24 CFR 92.504, 24 CFR 92.508.

Program Income Management

Program income is defined at 24 CFR 92.2 and managed per 24 CFR 92.503. It includes any funds received by the County or its subrecipients directly generated from the use of HOME funds (e.g., repayment of loans, interest earned, sale of HOME-assisted properties, or net proceeds from resale).

- 1) Sources of Program Income
 - a) Repayment of construction or buyer loans.
 - b) Interest or investment earnings on HOME funds.
 - c) Net proceeds from sale of HOME-assisted housing.
 - d) Developer fee repayments (if specified in agreement).
- 2) Use of Program Income
 - a) Must be used before requesting additional HOME funds from HUD.
 - b) Must be used for HOME-eligible activities and comply with all HOME requirements, including income eligibility and affordability restrictions.
- 3) Accounting and Reporting
 - a) All program income must be recorded in the County's financial system and reported in IDIS.
 - b) The County must ensure that income is tracked separately by project and not co-mingled with other funds.
 - c) Reuse of program income must follow same rules as original HOME funds.
- 4) Reconciliation and Monitoring
 - a) Program income must be reconciled quarterly.
 - b) Subrecipients or CHDOs retaining program income must receive prior written approval, and a system for monitoring its use must be in place.

Performance and Compliance Procedures

New Construction Recording Requirements

Owners/developers and the IGD/CD are responsible for tracing the ultimate distribution of HOME funds in a new construction project in accordance with applicable CFR references.

- 1) Owner/developer and the IGD/CD shall determine the total HOME investment, which is a combination of any HOME funds provided to be used in the development phase of the project for acquisition, construction/rehab and soft costs (24 CFR 92.206).
- 2) Owner/developer and the IGD/CD shall determine if the project had costs in excess of sales prices, and therefore is eligible to write off part or all of the HOME development funds as "Development Subsidy" that does not have to be mortgage to the buyer(s). The Development Subsidy write-off is eligible only using the recapture method, and not the resale method. (24 CFR 92.254).

- 3) IGD/CD to determine HOME funds to be repaid
 - a. When new construction funds are invested in the development phase of the project (e.g., as a construction loan), underwriting will be completed to determine repayment terms. Any such repayments are considered program income to the County. (24 CFR 92.503).
 - b. If repayment is mandated, then it is appropriate to allow the owner/developer to draw any remaining developer fee due from the unit, after paying closing costs (realtor, legal and recording costs, etc.) and other construction loans. Then any net proceeds are available for repayment, if required by the County.
- 4) Owner/developer and the IGD/CD shall reconcile HOME Funds
 - a. The final step in the process is to reconcile the ultimate allocation of all HOME funds invested in that unit.
 - b. Take the total HOME investment in the unit, and subtract funds allocated as Development Subsidies, Buyer Subsidies, and any Repayments from Sales Proceeds. (24 CFR 92.508)

Recordkeeping and File Management

In accordance to 24 CFR 92.508, the IGD/CD and participating owners/developers are required to maintain accurate, complete, and secure records for all HOME-funded new construction projects. The recordkeeping system must support compliance with federal, state, and local requirements and must include provisions for file organization, retention, and security. Refer to Appendix II for Required File Components.

Retention Timeframes:

- 1) Project records must be retained for five (5) years after the affordability period ends.
- 2) Rental housing project records (including tenant income, leases, and inspections) must be kept for five (5) years after project closeout or the end of the affordability period, whichever is later.
- 3) Financial and IDIS records must be kept for at least five (5) years after final drawdown.

Security and Access:

- 1) Files must be stored in a secure location with access limited to authorized staff.
- 2) Electronic files must be stored on password-protected systems with regular backups and cybersecurity safeguards.
- 3) Confidential information, such as tenant income and personal data, must be protected in accordance with HUD and privacy regulations.

Performance Reporting Procedure

In accordance with 2 CFR Part 200 Subpart D, the owner/developer shall submit regular performance reports to the IGD/CD in a manner acceptable to the County, as cited in the

agreement between the owner/ developer and the IGD/CD.

Project Closeout Procedures

Upon completion of a HOME-funded new construction project, IGD initiates closeout procedures to ensure all compliance and reporting obligations are met. This process ensures proper reconciliation of funds, documentation of outcomes, and transition into the affordability period. This complies with 24 CFR 92.504 and 24 CFR 92.508.

Closeout Process:

- 1) Construction Completion
 - a) Final inspection conducted by IGD.
 - b) Receipt of Certificate of Occupancy and Lease-Up documentation (ads, executed leases, rent schedules).
- 2) Final Draw and Reporting
 - a) Submission of final draw request with required payment documents (IDIS setup, disbursement forms, draw reports).
 - b) Title company submits check register and final draw report.
- 3) IDIS Project Completion
 - a) Budget Analyst submits IDIS Completion Form to document project closeout in the IDIS system.
 - b) Project is officially marked complete in IDIS and the Certificate of Completion is issued.
- 4) Unit Occupancy and Eligibility
 - a) Tenant income eligibility documentation is verified for all HOME-assisted units.
 - b) Required documentation includes income verification, lease agreements, rent calculations, and general release forms.
- 5) Post-Completion Monitoring
 - a) Annual monitoring for each unit includes inspections, tenant income re-certification, and rent reviews.
 - b) Financial statements from owner/developer are required annually throughout the affordability period.
- 6) File Finalization and Archiving
 - a) All documents filed according to the checklist and stored securely.
 - b) Files are retained for the duration of the affordability period plus an additional five years, per 24 CFR 92.508
 - c) Archived records must remain accessible for HUD audits or reviews.

Affordability Period Monitoring

Per 24 CFR Part 92 Subpart F, all HOME-assisted units are subject to an affordability period based on the amount and type of HOME investment. IGD/CD must monitor ongoing compliance with occupancy, rent/income limits, and property condition standards throughout this period.

1) Affordability Period Requirements

HOME Investment per Unit	Minimum Affordability Period
< \$15,000	5 years
\$15,000–\$40,000	10 years
> \$40,000 or new construction (rental)	20 years

2) Compliance Monitoring During Affordability Period

a) Rental Housing

- Annual review of tenant income certifications.
- Annual rent limits compliance check.
- Periodic on-site inspections (based on project size and frequency per 24 CFR 92.504)
- Maintenance of unit mix and set-asides for low-income tenants.

b) Homebuyer Housing

- Resale/recapture provisions enforced throughout the period.
- Monitoring triggered upon resale or transfer of property.

3) Changes During the Affordability Period

If a unit is no longer in compliance (e.g., sold without proper recapture, no longer primary residence, not rent-restricted), the County may be required to repay HUD the HOME funds invested, per 24 CFR 92.504.

NEW CONSTRUCTION STANDARDS

Underwriting Standards

In accordance with 24 CFR Part 92 Subpart F, each new construction project identified for assistance with federal funding, underwriting and (if applicable) subsidy layers shall be performed to ensure the funding in the project is at an appropriate level to neither over subsidize the project nor inject the project to long term sustainability and affordability risk.

The IGD/CD will conduct a subsidy layering review prior to the award of any funds. The IGD/CD will evaluate developer capacity and experience, as well as the long-term viability of the project, in accordance with Notice CPD-15-11. Details can be found in the St. Clair County, Illinois > Underwriting and Subsidy Layering Policies and Procedures, located at St. Clair County Illinois > Departments > Intergovernmental Grants > Community Development (RC Version: 9.13.3.0). The IGD/CD will evaluate the reasonableness and need for the requested assistance by analyzing pro-formas for cash flow, debt-coverage ratios, and the appropriateness of fees charges. The IGD/CD will review and keep project records demonstrating that the new construction project meets required subsidy layering guidelines. Owners/developers are required to submit the HOME Multi-Family Underwriting Template, which includes achievable rent levels, market vacancies, and operating expenses. The IGD/CD must undertake:

- 1) An examination of the sources and uses of funds for the project and a determination that the costs are reasonable (2 CFR 200.404); and
- 2) An assessment of the current market demand in the neighborhood in which the project will be located, the experience of the developer, the financial capacity of the owner/developer, and the firm written financial commitments for the project.

Maximum per-unit subsidy amount. The total amount of HOME funds that the IGD/CD may invest on a per-unit basis in affordable housing may not exceed the per-unit dollar limitations established under section 221(d)(3)(ii) of the National Housing Act [12U.S.C. 17151(d)(3)(ii)] for elevator- type projects that apply to the area in which the housing is located.

Property Standards

State And Local Codes, Ordinances, And Zoning Requirements

In accordance with 24 CFR 92.251(a)(1), housing that is newly constructed with HOME funds must meet all applicable state and local codes, ordinances, and zoning requirements. HOME-assisted new construction projects must meet state or local residential and building codes, as applicable or, in the absence of a state or local building code, the International Residential Code or International Building Code (as applicable to the type of housing) of the International Code Council. The housing must meet the applicable requirements upon project completion.

The IGD/CD will verify code compliance through permit documentation, design plan reviews, and construction inspections prior to occupancy.

Accessibility

The housing must meet the accessibility requirements of 24 CFR part 8, which implements Section

504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. Covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205.

Disaster Mitigation

Where relevant, the housing must be constructed to mitigate the impact of potential disasters (e.g., earthquakes, flooding, and wildfires), in accordance with State and local codes, ordinances, or other State and local requirements, or such other requirements as HUD may establish.

If the Environmental Review conducted under 24 CFR Part 58 identifies hazards or vulnerabilities, those findings must be addressed through project design and construction (e.g., elevation above base flood elevation, fire-resistant materials, seismic reinforcements). These mitigation measures must be incorporated into construction documents and verified by the IGD/CD during inspections.

Broadband Infrastructure

For a new construction housing project of a building with more than 4 rental units, the construction must include installation of broadband infrastructure, as this term is defined in 24 CFR 5.100, except where the participating jurisdiction determines and, in accordance with 24 CFR 92.508(a)(3)(iv), documents the determination that:

- A. The location of the new construction makes installation of broadband infrastructure infeasible; or
- B. The cost of installing the infrastructure would result in a fundamental alteration in the nature of its program or activity or in an undue financial burden.

In cases where broadband infrastructure is deemed infeasible, the following methods should be utilized:

- A. **Memo to File:** A detailed memo outlining the reasons for infeasibility, including any relevant data and analysis.
- B. **Engineering Report:** A comprehensive report prepared by a qualified engineer, providing technical details and assessments that support the determination of infeasibility.

All broadband determinations and documentation must be retained in the project file.

Ongoing property condition standards:

Applies to: Rental housing and housing occupied by tenants receiving HOME tenant-based rental assistance

Ongoing property standards

In accordance with 24 CFR 92.251(f), the IGD/CD's property standards for rental housing (including manufactured housing) apply throughout the affordability period and for housing occupied by tenants receiving HOME tenant-based rental assistance. Owners are required to maintain the housing as decent, safe, sanitary, and in good repair. The IGD/CD's ongoing property

standards address each of the following:

- i. ***Compliance with State and local codes, ordinances, and requirements.***
The IGD/CD's standards require the housing to meet all applicable state and local code requirements and ordinances. In the absence of existing applicable State or local code requirements and ordinances, at a minimum, the IGD/CD's ongoing property standards provide that the property does not contain the specific deficiencies established by HUD based on the applicable standards in 24 CFR 5.703 and published in the Federal Register for rental housing (including manufactured housing) and housing occupied by tenants receiving HOME tenant-based rental assistance.
- ii. ***Health and safety.***
The IGD/CD requires HOME assisted housing units to be free of all health and safety defects. The owner/developer must immediately correct life-threatening deficiencies within a reasonable time frame set by the IGD/CD, , typically no more than 24 hours for emergency conditions and up to 30 days for non-emergency repairs. Follow-up inspections may be conducted to verify that corrections are completed.
- iii. ***Lead-based paint.***
The IGD/CD requires the housing to meet the lead-based paint requirements in 24 CFR part 35, as applicable based on project type and level of rehabilitation. All visual assessments, testing, abatement, and clearance activities must be conducted by certified professionals.

Housing Quality Standards (HQS)

Housing must meet the housing quality standards in 24 CFR 982.401. These standards are used for all annual and interim inspections and encompass key elements such as sanitation, heating, structure, ventilation, security, and absence of infestation.

Inspections

The IGD/CD undertakes ongoing property inspections, in accordance with 24 CFR 92.504(d). Inspections are documented using standardized HQS inspection forms. The number of units inspected is based on HUD sampling requirements but may be expanded based on risk factors such as poor past performance, tenant complaints, or observed deficiencies.

Written Cost Estimates, Construction Contracts And Construction Documents

The IGD/CD must ensure the construction contract(s) and construction documents describe the scope of work in sufficient detail so that inspections can be conducted. The IGD/CD must review and approve written cost estimates for construction and determining that costs are reasonable in accordance with 2 CFR 200.404. Reasonableness may be evaluated based on:

- Industry-standard cost estimating guides
- Comparison to similar projects
- Multiple independent cost estimates.

Final scopes of work and line-item budgets must be clearly tied to approved plans and specifications.

Inspection Procedures

The IGD/CD Inspector inspects HOME assisted units on an annual basis. The IGD/CD Inspector utilizes the HQS Inspection Report and documents all findings. Results are communicated to property owners along with a list of required corrective actions. All inspection records, correspondence, and follow-up actions are maintained in the project file and subject to HUD monitoring.

Corrective And Remedial Actions

The IGD/CD requires the owner/developer to address identified deficiencies within a reasonable time frame set by the IGD/CD. If deficiencies are not resolved, corrective actions may include withholding of funds, suspension from future IGD/CD programs, or initiation of legal remedies as permitted under HUD regulations and local policy.

Construction Progress Inspections

Progress and final inspections of construction must be completed to ensure that work is done in accordance with the applicable codes, the construction contract, and construction documents. Inspections must be documented in the project file, and any deficiencies identified must be addressed before final draw approval or project closeout.

APPENDIX I

New Construction – Flow

- 1) Developer contacts the Community Development division of St. Clair County Intergovernmental Grants Department (IGD) about a proposal for a new construction multi-family housing project.
- 2) IGD provides the developer with a link to the application, taken from the Department of Housing and Urban Development (HUD's) website:
https://www.hud.gov/sites/documents/20376_template.xls
- 3) The developer submits the application and the required documentation. A New Construction Checklist and Front-End Documents (BABA, Section 3, MBE/WBE, Davis Bacon, Procurement Bids & Contracts etc.) are sent to the developer for review.
- 4) IGD goes through the Underwriting process to determine if the project can be funded.
- 5) Once funding is confirmed to meet IGD requirements, a Conditional HOME Funding Commitment letter (that includes loan amount, interest rate, term, repayment) is signed by the IGD Executive Director. Conditional commitment is made subject to approval of all project funding sources, IGD review/approval of all project documents, environmental review, and IGD approval of the project's final budget.
- 6) The Environmental Review process is initiated by the project engineer which will be an Environmental Assessment level of review in the HUD HEROS system. New Construction projects require a phase 1 environmental site assessment and phase 2 (if necessary) to meet the Contamination Laws and Authorities of the review. IGD, as the responsible entity, is responsible for submitting activity consultation letters to the appropriate Tribes. Tribes may request a Cultural Resource Survey prior to sending approval for the activity to move forward. IGD will assist the engineer in completing the EA in HEROS, if necessary, and will review the completed EA. Following approval, IGD will create and post on the County website the Notice of Intent/Request for Release of Funds (NOI/RROF) publication. If no objections are received during the 15-day publication period, The County Certifying Officer will sign the RROF which is attached to the HEROS EA. The EA will then be assigned to the appropriate HUD office for their 15-day review/comment period followed by the signature of the Authority to Use Grants Funds (AUGF) by the HUD Authorizing Officer. A printed version of the ERR and AUGF will be kept at the IGD office. IGD informs the engineer of completion of the Environmental Review along with a scanned copy of the completed AUGF and assigns the Environmental Review back to the engineer for their records.
- 7) St. Clair County insurance requirements example of the Certificate of Liability Insurance is sent to the developer for the Owner and General Contractor to review. COI docs are submitted to Pam Dougherty in the Fiscal department. She submits the docs to the Human Resources department for approval.

- 8) Developer submits other project documents: letters of support for project, title insurance, conditional funding commitment letters.
- 9) Loan documents are drafted (HOME Agreement, HOME Agreement to Provide Insurance, HOME Disclosure Statement, HOME Note, and HOME Mortgage) and sent to developer/owner/attorneys for review. Escrow Agreement is submitted to IGD for approval.
- 10) Remote closing - Once all parties have submitted changes and agree to final docs, documents are circulated for signatures. The attorney's office gives directions on how/where docs should be sent; for example, an overnight label is sent to IGD. If the title company is local, some documents may need to be physically dropped off at the title company office. All fully executed IGD original docs must be returned to IGD. Copies of all other fully executed loan docs must be sent to IGD.
- 11) Contractor submits invoices etc. to the title company during construction. Emails are sent for approval on disbursing funds. IGD gets copies of all draw requests, even when IGD funds are not part of the draw. When IGD funds are being used for a draw, required payment documents (IDIS Set Up, Budget, Drawdown, Disbursement Authorization, and backup documentation) are submitted to the Budget Analyst.
- 12) Contractor submits payrolls throughout construction for Davis Bacon compliance. If Davis Bacon doesn't apply to the project, payrolls are still submitted to IGD for review. Contractor submits Section 3 and BABA information.
- 13) Once construction is completed and final inspection is conducted, IGD requires copies of the Certificate of Occupancy, Lease Up Advertisement and Lease With Rents.
- 14) IDIS Completion Form is submitted to the Budget Analyst.
- 15) Check register and draw report are requested from the title company after project is completed.
- 16) All tenants' income for designated HOME units must be verified to be eligible for occupancy. Tenant info (Income/Lease/General Release Form/Rent Calculation) and Unit Information Fact Sheet must be maintained in the file.
- 17) The project annual maintenance schedule is for the duration of the contracted Period of Affordability: Financial Statements and Payment Info.
- 18) Each HOME unit annual maintenance schedule is for the duration of the contracted Period of Affordability: Annual Inspections, Annual Tenant Income Re-Certification, Annual Tenant Rent Calculation and Annual Tenant Lease.

- 19) Files are retained for the contracted Period of Affordability and then archived. File retention and record keeping are in accordance with HUD requirements and 24 CFR 92.508.

APPENDIX II

New Construction File Checklist

NEW CONSTRUCTION FILE CHECKLIST

Address/Description

- | | |
|-----------|---|
| Exhibit 1 | <div> <div> <div>1. Development Proposal & Funding Feasibility Narrative</div> <div> <div>___ Market Study</div> <div>___ Location Map</div> <div>___ Photos</div> <div>___ Site Plans</div> </div> </div> <div> <div>2. HUD Application</div> <div> <div>___ Requirements</div> <div>___ Rents and Income</div> <div>___ Development Costs</div> <div>___ Replacement Reserve</div> <div>___ Construction Schedule</div> <div>___ LIHTC Basis</div> <div>___ Operating Expenses</div> <div>___ First Mortgage Sizing</div> <div>___ Sources & Uses</div> <div>___ Pro Forma Assumptions</div> <div>___ Operating Pro Forma</div> <div>___ Administrative Record</div> <div>___ Project Summary</div> </div> </div> <div> <div>3. Developer Underwriting</div> <div> <div>___ Experience & References</div> <div>___ Development Team Qualifications</div> <div>___ Property Management Staff</div> <div>___ Financial Statements</div> <div>___ Status of Current Projects & Holdings</div> <div>___ Debarment Status</div> <div>___ Incorporation Documents</div> <div>___ SAM Registration</div> <div>___ Certificate of Good Standing</div> </div> </div> <div> <div>4. Letters of Support For Project – Conditional Funding Commitment Letters – Certification of Consistency With Consolidated Plan</div> </div> <div> <div>5. Environmental Reviews</div> </div> <div> <div>6. Title Insurance</div> </div> </div> |
| Exhibit 2 | <div> <div>7. Home Agreement – Note – Mortgage – Disclosure Statement – Agreement to Provide Insurance – Other Mortgage Info – Escrow Agreement</div> <div>8. Letter to Detail Documentation & Payment Due Dates</div> <div>9. Insurance</div> </div> |
| Exhibit 3 | <div> <div>10. Drawdowns – Payment Applications</div> <div> <div>11. Copies of Procurement</div> <div> <div>___ Bids</div> <div>___ Contracts</div> </div> </div> <div> <div>12. Progress Reports For Construction</div> </div> <div> <div>13. Inspection Reports</div> </div> <div> <div>14. Payrolls</div> </div> <div> <div>15. Final Inspection – Certificate of Occupancy</div> </div> </div> |
| Exhibit 4 | <div> <div>16. Advertisements For Lease Up</div> <div>17. Copy of Lease With Rents</div> <div>18. Emails/Misc.</div> </div> |
| Exhibit 5 | <div> <div>19. Designated Home Units</div> <div> <div>___ Tenant Info (Income/Lease/General Release Form/Rent Calculation)</div> <div>___ Unit Information Fact Sheet</div> </div> </div> |

MONITORING

☐ Annual Financial/Pay Info ☐ Annual Inspections ☐ Annual Tenant Income Re-Certification
☐ Annual Tenant Rent Calculation ☐ Annual Tenant Lease

Revision History

Event	Date
Adopted	
Adopted revisions	5/28/25
Adopted revisions- updated conflict of interest section	9/12/25