

Section 13

City of Modesto

Neighborhood Stabilization Program 3 Subrecipient Management Policies and Procedures



City Of Modesto
Community and Economic Development Department
1010 10th Street, Suite 3100
Modesto, CA 95354
www.cityofmodesto.com
housing@modestogov.com

Committee: Citizens Housing and Community Development Committee
City Council: Resolution No. 2017-312

Approved:06/29/2017
Approved: 08/08/2017

These policies supersede any previously adopted policies and are subject to review and revision by the City of Modesto's Citizens Housing and Community Development

City of Modesto
Neighborhood Stabilization Program 3

NSP3 Subrecipient Management Policies and Procedures

(2 CFR Part 225 appendix A (C)(1)(c))

1. During the period of affordability, the City of Modesto will perform annual on-site compliance or desk monitoring inspections of all single-family and multi-family developments utilizing NSP3 funds to determine compliance with the applicable regulations and requirements outlined below utilizing NSP3 regulations to govern activities.
 - 1.1. This monitoring will consist of the following parties and unit types:
 - 1.1.1. All participating NSP Developers
 - 1.1.2. All NSP Rental Properties
 - 1.1.3. All NSP Re-Sale Properties
 - 1.2. Developers will be notified of their monitoring date and time through a formal letter no less than 2 weeks prior to the date of monitoring. The letter contains information notifying the developer as to which program is being monitored, which properties are being reviewed, and the type of monitoring being conducted.
 - 1.2.1. Type of monitoring is dependent on which program component is being monitored by City of Modesto Staff. Types of monitoring are as follows:
 - 1.2.1.1. “Windshield” Inspection - Upon sale of the property to a qualified buyer, notification of annual inspection and guarantee of general property upkeep is agreed to by the buyer for the life of the affordability covenant.
 - 1.2.1.1.1. A “Windshield” inspection is done annually to ensure that the exterior of the home is adequately maintained and that the property does not become blight to the neighborhood. This 10 point visual inspection is done by a City of Modesto Housing Rehabilitation Specialist (HRS).
 - 1.2.1.1.2. Upon completion, any egregious concerns are turned over to the Neighborhood Preservation Unit and the property will be served with a Notice of Violation.
 - 1.2.1.2. Physical Monitoring - Every property shall be physically inspected by city staff no less than every three (3) years for property damage, code violations, and maintenance issues and concerns (primarily Rental Properties).
 - 1.2.1.2.1. The Developer/Property management firm informs the current tenant of the time and date of the city inspection.
 - 1.2.1.2.2. A City of Modesto Housing Rehabilitation Specialist does a full Housing Quality Standards (HQS) walkthrough of the facility and grounds. For multi-unit properties HOME guidelines are followed and 10% of the units are reviewed.
 - 1.2.1.2.3. The property is given a Pass/Fail/Inconclusive check on all health and safety components of the inspection. Once completed, the HRS determines if any of the deficiencies are severe enough for a FAIL result on the property as a whole or if the item is a “Concern” to reinspect at the next monitoring.
 - 1.2.1.2.4. An electronic copy of the report is given to the Housing Finance Specialist (HFS) and to the developer representative for signature. If the items that are discovered are easily remedied, and the developer says that they will fix the items immediately, a 2 week period of time will be allowed before an unresolved finding is recorded.

1.3. Subrecipient/Developer File Monitoring:

- 1.3.1. Developers are expected to annually provide to City Staff a completed “Rental Housing Project Compliance Report” (City of Modesto Monitoring Form 2-A) prior to staff conducting a monitoring session. Form 2-A is a program summary containing all pertinent data for the monitoring and serves as a starting point for data verification.
- 1.3.2. Developer monitoring will be conducted at the developer’s place of business or at the City of Modesto (optional).
 - 1.3.2.1. Monitoring Form 1-A: Developer Compliance (File Monitoring), is a checklist utilized by the City of Modesto to verify developer specific information and documentation dealing with:
 - 1.3.2.1.1. Program Compliance
 - 1.3.2.1.2. Rental Compliance
 - 1.3.2.2. Monitoring Form 1-C: Acquisition & Rehab (File Monitoring), is a checklist utilized by the City of Modesto to verify property specific information and documentation dealing with
 - 1.3.2.2.1. Property Acquisition
 - 1.3.2.2.2. Construction/Rehabilitation
 - 1.3.2.2.3. Property Financials
- 1.3.3. NSP Rental Property Monitoring:
 - 1.3.3.1. Developers are expected to annually provide to City Staff a completed “Recertification Packet” for every tenant at the time of lease renewal. This information will be used in conjunction with Monitoring Form 2-A to provide a basis for monitoring of the developer’s tenant files. The “Recertification Packet” consists of:
 - 1.3.3.1.1. Part V Income Certification (Section 8 method)
 - 1.3.3.1.2. Household Characteristics form
- 1.3.4. Monitoring Form 1-B: Tenant Compliance & Verification (File Monitoring), is a checklist utilized by City of Modesto Monitoring Staff to verify that the developer is complying with program guidelines for rent and occupancy.

2. Monitoring Follow-Up

- 2.1. When both the Physical and File Monitoring have been completed, staff will draft one of 2 letters and send them to the developer stating the results of the findings: Finding Letter or Clearance Letter. As clarification, a “finding” is an element which does not comply with a Federal or State statute or regulation; whereas a “concern” represents a potential finding or a program deficiency that should be improved before it leads to a finding.
- 2.2. Finding Letter
 - 2.2.1. This letter notifies the developer that one or more serious issues were uncovered during the course of monitoring. It will identify whether the finding was discovered during the Physical Monitoring or the File Monitoring, the nature of the finding and the remedy available.
 - 2.2.2. The developer has 30 days to respond to the City of Modesto with their corrective actions at which point an additional inspection will be done within a reasonable timeline.
 - 2.2.3. Clearance letter
 - 2.2.3.1. This letter informs the developer that there were no findings discovered during the monitoring and their property has been cleared for 1 year.
 - 2.2.3.2. If there are any concerns that were discovered during the monitoring, the letter will disseminate the details. Any concerns will be inspected at the next monitoring, and staff will determine if the concern had graduated to a finding.



PASS	<input type="checkbox"/>	Staff Initials _____
FAIL	<input type="checkbox"/>	

**Neighborhood Stabilization Program
Monitoring Documentation – Developer Compliance**

Monitoring Date: _____ Reviewer: _____

Developer Name: _____

Program: NSP1 NSP2 NSP3

Monitoring Type: Initial Annual

Total NSP Allocation: _____

Number of NSP Units: _____

Affordability Period: _____

PROGRAM COMPLIANCE:

CRITERIA	Y/N	COMMENT/ACTION
1. Does Developer have a copy of fully executed MOU with the City of Modesto?		
2. Does Developer have a copy of the Program Pro-Forma for their rental units? <i>(if applicable)</i>		
3. Has Developer maintained current insurance requirements?		
4. Has Developer maintained all necessary licenses/certifications?		
5. Has Developer submitted a completed Project Compliance Report within the last 12 months? <i>(HOME Monitoring Checklist 6-D)</i>		
6. Has Developer received/completed any NSP specific trainings in the last 12 months?		
7. Has Developer Provided copies of tax returns for the last 2 years?		
8. Has Developer provided proof of payment of any taxes due?		

RENTAL COMPLIANCE:

CRITERIA	Y/N	COMMENT/ACTION
1. Does Developer have tenant selection procedures that are non-discriminatory?		

MONITORING FORM 1-A

2.	Does Developer provide adequate information to program applicants about program rules and expectations?		
3.	Does Developer monitor rents in NSP units and enforce proper rent limits for all properties?		
4.	Are tenant incomes properly documented during occupancy?		
5.	Is there a copy of the lease in every tenant file?		
6.	Are all leases free of prohibited provisions?		
7.	Does developer conduct regular property inspections?		
8.	Does Developer affirmatively market the NSP Units?		
9.	Does Developer follow their tenant selection policy?		
10.	Does Developer properly maintain applicant records and history? a. Intake/Applications b. Letter of Denial/Rejection c. Contact Log		
11.	Does Developer properly maintain and administer an active waiting list?		
12.	Do Properties exhibit a high level of vacancy?		

ADDITIONAL NOTES & COMMENTS:



PASS Staff Initials _____
 FAIL

**Neighborhood Stabilization Program
 Monitoring Documentation – Tenant Compliance & Verification**

Monitoring Date: _____ Reviewer: _____

Developer Name: _____

Property Address: _____

Multiple Unit
Property

Affordability Period: _____

Program: NSP1 NSP2 NSP3

Monitoring Type: Initial Annual

Has Tenant been Reviewed/Approved by City? Yes No

Tenant/Head of Household: _____

AMI Qualification: <30% <50% <80% <120% Unqualified

Does Tenant Meet a Special Needs Criteria? Yes No

Is Tenant currently living in the unit? Yes No

INITIAL RENT AND OCCUPANCY COMPLIANCE:

CRITERIA	Y/N	COMMENT/ACTION
1. Is the following documentation complete and present in the file? a. Tenant Intake/Application b. Household Characteristic Form <i>(in toolbox)</i> c. Tenant Income Certification d. Income supporting documentation e. Lease/Lease with addendums f. Lead-based paint compliance documentation		
2. Does Tenant File project Developer maintains & adequately documents income determinations? a. Pay Stub in file? b. W-2 or comparable tax form? c. Additional income documentation?		
3. Is Part IV of Income Certification – Income From Assets, properly filled out? a. Are bank accounts clearly acknowledged? b. Are vehicles clearly acknowledged? c. Are additional assets listed?		
4. Is Tenant Lease free of all prohibited provisions?		

MONITORING FORM 1-B

5.	Is Tenant Lease for a minimum of 1 year? <i>(NSP regulatory requirement)</i>		
6.	Does Tenant Lease support that rents reported in Tenant File, Income Certification, & submitted to City of Modesto are accurate?		
7.	Were proper utility allowances used to calculate maximum rent levels?		
8.	Is Tenant being charged <30% of their adjusted monthly income as rent?		
9.	If Tenant receives Section 8 assistance: a. Is the appropriate tenant payment (30% of adjusted income) charged to the tenant? b. Is there proper documentation of the rental assistance in the file?		
10.	Is the Gross Rent being charged to Tenant below maximum allowable rent?		
11.	Are all contributions to rent in Part V of the Income Certification properly displayed and calculated?		
12.	Does file document that the property meets ongoing property standard requirements?		

ADDITIONAL NOTES & COMMENTS:



PASS	<input type="checkbox"/>	Staff Initials _____
FAIL	<input type="checkbox"/>	

**Neighborhood Stabilization Program
Monitoring Documentation – Acquisition & Rehab**

Monitoring Date: _____ Reviewer: _____

Developer Name: _____

Property Address: _____

Program: NSP1 NSP2 NSP3

Monitoring Type: Initial Annual

FILE MAINTENANCE COMPLIANCE:

CRITERIA	Y/N	COMMENT/ACTION
Property Acquisition		
1. Does file have environmental review documentation?		
2. Does file have purchase contract with addendums?		
3. Does file have copy of Appraisal (within 60 days of offer)		
4. Does file have copy of initial pest inspection/report?		
5. Does file have copy of initial home inspection?		
6. Does file have documentation to show that property was abandoned/foreclosed at the time of purchase?		
7. Does file have a copy of the Final HUD 1		
8. Does file have documentation showing that existing tenants were properly notified of the following: a. Change of Ownership b. Effects of Rehabilitation c. Program Qualification Requirements		
Construction/Rehabilitation		
1. Does file contain a copy of the initial work write-up and cost estimate?		
2. Does file have documentation addressing Lead Based Paint concerns (if built prior to 1978)		
3. Does file contain contractor agreement/contract and bid documents (if applicable)?		

MONITORING FORM 1-C

4.	Does file demonstrate that the Developer ensured that contractors and sub-contractors were properly licensed, insured, and not debarred?		
5.	Does File contain a copy of signed City of Modesto Preliminary Inspection Report?		
6.	Does file contain copies of all necessary permits with notice of completion?		
7.	Does file contain progress payment documentation? <ul style="list-style-type: none"> a. Receipts/Invoices b. Copies of checks issued c. Copies of checks received 		
8.	Does file contain documentation of any change orders? <i>(if applicable)</i>		
9.	Does file contain final LBP Clearance Report? <i>(if applicable)</i>		
10.	Does file contain any additional hazard abatement reports? <i>(if applicable)</i>		
11.	Does file contain copies of any lien releases, or contractor waivers?		
12.	Copies of any contractor warranties <i>(if applicable)</i>		
13.	Does file contain copy of signed City of Modesto Final Inspection		
Property Financials			
1.	Does file have copy of fully executed loan documents: <ul style="list-style-type: none"> a. Deed of Trust b. Loan Agreement c. Promissory Notes d. Regulatory Agreement 		
2.	Does file have copies of any loan document amendments?		
3.	Does file have copy of property pro-forma?		
4.	Does file have copy of True-up documentation?		
5.	Does file have copy of current and valid property Title Insurance?		

ADDITIONAL NOTES & COMMENTS:



PASS Staff Initials _____
 FAIL

Neighborhood Stabilization Program (MONITORING)
Rental Housing Project Compliance Report

Program: NSP1 NSP2 NSP3

Reporting Period: _____ to _____

Developer/Agency: _____

Project # (From Invoice)	Tenant Name/ Head of Household	# Pers. in Home	# Bed Rm.	Date of Last Income Cert.	Max Rent	Actual Rent	Utility Allowance	Tenant's Annual Gross Income	Temp. Compliance (verified @ Monitoring)

Reviewer: _____

Date: _____