



CITY OF MURFREESBORO
COMMUNITY DEVELOPMENT DEPARTMENT
ACQUISITION OF REAL PROPERTY PROGRAM

POLICIES AND PROCEDURES

Introduction

As a Community Development Block Grant (CDBG) entitlement city, Murfreesboro annually receives a formula grant through the U.S. Department of Housing and Urban Development. The regulations for CDBG usage are found at 24 CFR 570. The regulations allow local communities wide latitude in serving the needs of low- and moderate-income residents.

During the preparation of its 2015-2020 Consolidated Plan, the City identified a need for additional affordable rental housing for low-income residents. The Acquisition of Real Property Program was amended to assist in meeting that need.

The legal authority for this program is 24 CFR 570.201(a):

§ 570.201. Basic eligible activities

CDBG funds may be used for the following activities:

- (a) *Acquisition.* Acquisition in whole or in part by the recipient, or other public or private nonprofit entity, by purchase, long-term lease, donation, or otherwise, of real property (including air rights, water rights, rights-of-way, easements, and other interests therein) for any public purpose subject to the limitations of § 570.207 [*Ineligible activities*].

1.0 PURPOSE:

- 1.1. The Acquisition of Real Property (APR) Program provides available Community Development Block Grant (CDBG) funding to assist eligible not-for-profit agencies purchase of real property inside the City of Murfreesboro to provide housing for low-income residents of the City of Murfreesboro.
- 1.2. The activity carried out by the participating agencies and organizations (the “Grant Recipient”) using Acquisition of Real Property (ARP) Program funds must be consistent with the CDBG national objectives and the housing objectives described in the City’s Consolidated Plan.

2.0 APPLICABILITY:

- 2.1 Authorization for the use of CDBG funds for the purpose of this program is subject to the following laws and regulations:
- i. Title I of the Housing and Community Development Act of 1974 as amended (42 U.S.C. 5301 et.seq.);
 - ii. 24 CFR 570 – Community Development Block Grants
 - iii. 49 CFR Part 24 – Uniform Relocation Act Regulations
 - iv. HUD Handbook 1378
 - v. 24 CFR 21 – Drug-Free Workplace
 - vi. U.S. Office of Management and Budget’s *Uniform Administrative Requirements, Audit Requirements, and Cost Principles for Federal Awards*

2.2 This policy applies when the City's CDBG funds are used to carry out the program described herein and is governed by the Department Of Housing and Urban Development (HUD) and applicable policies of the City.

2.3 Property purchased must not require an obligation by the City for the relocation of an owner, occupant and/or tenant as regulated in the Uniform Relocation Act.

3.0 PROGRAM RESOURCES

3.1 The source of funds for this program will be CDBG funds as allocated by City Council and may include other funds available to the City deemed applicable to the ARP Program. The program is subject to the availability of CDBG funds and approval by the City Council. Funding for each transaction will be at the discretion of the City.

4.0 PROGRAM COMPONENTS

4.1 Grant Recipients may purchase property to re-develop as single-family housing for re-sale.

- The City will reimburse the Grant Recipient for an amount agreed upon between the City and Grant Recipient upon receipt of evidence of sale and a copy of the Warranty Deed. The City reserves the right to require additional documentation.
- Prior to the City committing to participating in the purchase, the seller of the property will be expected to warrant that it will not trigger the Uniform Relocation Act.
- The household income of the purchaser of property from the Grant Recipient must be at or below 80 percent of the area median income-adjusted for family size as established annually by the U.S. Department of Housing and Urban Development (HUD)

4.2 Grant Recipients may develop affordable permanent or permanently supportive rental housing for very-low income households through the acquisition and/or acquisition and rehabilitation of existing housing stock subject to the following requirements:

4.21 Conditions for Sale

- The Contract of Sale for the acquisition will be between the Grant Recipient and the Owner/Seller.
- The City's CDBG investment will be secured by a Deed of Trust, Note and Restrictive Covenants.
- The Grant Recipient must agree to match a minimum of 25% of the purchase price. This match may be satisfied in a number of ways:
 - a) an equity position in the house;
 - b) cash value of any materials purchased by the Grant Recipient or donated to the Grant Recipient for rehabilitation or maintenance of the property that will be attached and remain with the property;
 - c) cash value of contracted services (except supportive services) related to the property;
 - d) in-kind value of volunteer hours related to the property.
- At closing, the Grant Recipient will sign a Grant Agreement specifying how it intends to fulfill the match requirement. The Grant Agreement will allow 10 years to complete the

match and will require annual reports until the match is satisfied. Grant Recipient will maintain a ledger with supporting documentation to submit to the City.

- So long as there is no default with respect to the conditions set forth in the ARP Policies and Procedures, the Deed of Trust, the Note or the Restrictive Covenants, the City's lien on the property will be released after (10) ten years from date of closing unless the 25 percent match has not been satisfied, in which case the lien will remain until the required match has been satisfied.
- Prior to the City committing to participating in the purchase, the seller of the property will be expected to warrant that it will not trigger the Uniform Relocation Act.
- Prior to the City committing to participating in the purchase, the City will require an inspection report from the City of Murfreesboro Building and Codes Department certifying that the property conforms to the City of Murfreesboro building codes in effect at the time of closing.
- Should the property being acquired have been constructed prior to 1978, the property will be subject to the provisions of 24 CFR 570.608 (Lead-Based Paint).
- Prior to the closing, the City will require the Grant Recipient to provide a copy of the property appraisal, the Contract of Sale and the HUD-1 settlement statement. The City reserves the right to require additional documentation prior to closing.
- Grant Recipient will be responsible for paying all taxes and assessments both general and special, ground rents, fines, penalties, impositions, levies, dues and charges of every type or nature levied upon or assessed against the property.

4.22 Conditions for Rental

- ARP-assisted units must remain affordable for a ten-year period of affordability regardless of the amount of the CBDG investment. The affordability period will be secured with a grant note, deed of trust and restrictive covenant.
- The maximum allowable rent for an ARP-assisted unit is the High HOME rent for Murfreesboro as established by HUD annually.
- The household income of the tenant must be at or below 50 percent of the area median income as established annually by the U.S. Department of Housing and Urban Development (HUD)
- Tenant income must be certified at the time of initial occupancy and upon subsequent occupant by a new tenant.
- Rental units must comply with the City of Murfreesboro building codes in effect at the time of purchase.
- Term of the initial lease between Grant Recipient and tenant shall be at least 12 months. Grant Recipient will provide the City a sample copy of its lease.
- Rental unit may not be used as transitional housing.
- Grant Recipient must insure all buildings on the property with a hazard insurance company and with the City named as a loss payee until release of the lien.

5.0 ADMINISTRATION

- 5.1 All City rules and HUD regulations for approval of expenditures of funds and record keeping will apply.
- 5.2 This program will be administered in accordance with HUD standards and will be subject to the right of HUD to monitor, at any time, records of the City and those organizations awarded CDBG funds. Grant Recipients will also be subject to monitoring of records by the City.
- 5.3. The Community Development Director will be responsible for the overall Acquisition of Real Property Program.
- 5.4 Operational expenses to the City will be repaid from administrative funds of the Community Development Block Grant.

- 5.5 Copies of the ARP Program Policies and Procedures and HUD Handbook 1378 will be made available to each agency and organization requesting program funds.
- 5.6 The policy for the Acquisition of Real Property Program must be approved by the City Council and any amendments that may be recommended thereto from time to time.

6.0 SUBSIDY AWARDS AND TERMS

- 6.1 Beginning with the 2016-17 program year, the City will issue a notice of funding available (NOFA) requesting proposals from eligible nonprofit agencies. After evaluating proposals, the City will select partners for the Acquisition of Real Property Program for the upcoming year.
- 6.2 Participating agencies must have a current Certificate of Existence issued by the State of Tennessee. All subrecipients must have both a DUNS number and a CCR CAGE Code before funds can be disbursed. Both numbers can be obtained online.
- 6.3 Applicants for assistance must provide the following information:
- a) Written request for funding stating what the funds will be used for and a detailed description of the project for which funds are requested
 - b) Sufficient documentation to show evidence of capacity to carry out the project
 - c) Any additional information requested in the Notice of Funding Available
- 6.4 Staff of the Community Development Department will present a recommendation to the Council for approval. City Council must approve the amount of subsidy. All funding disbursements will be at the discretion of the City.
- 6.5 CDBG funds provided for the purchase of property to re-develop as single-family housing for re-sale will be a grant.
- 6.6 CDBG funds provided for the purchase of property for rental activities will be a forgivable loan.

7.0 RECAPTURE

- 7.1 Any funds recaptured by the City will be returned to the CDBG program.
- 7.2 Funding will be subject to recapture from the recipient by the City:
- should the recipient fail to meet the terms of the Grant Agreement
 - when funding is not used for the purpose defined for this program in section 1.00 of the Program Guidelines
 - in the event the housing unit is not initially sold to be the principal residence of a household whose annual income, at the time of occupancy, is at or below 80% of the area median income, adjusted for family size, as determined by HUD.
 - should the housing unit not remain as an affordable rental unit for qualified very-low-income households for the long-term compliance period of (10) ten years from the date of original occupancy of the unit.

8.0 GRIEVANCE PROCEDURES

- 8.1 Disputes between ARP Program applicants and Grant Recipients and the City may arise from time to time. If there is a dispute, the applicant or Grant Recipient should state its grievance to the Community Development Director in writing. If the Community Development Director is unable to negotiate a solution, the applicant or Grant Recipient may contact the City Manager.

9.0 CONFLICT OF INTEREST

- 9.1 City employees are not eligible applicants. Persons related to city employees or City Council members are not eligible applicants. Grant Recipients should refer to 24 CFR 570. 611 – Conflict of Interest for additional guidance, a copy of which is available at the Community Development Department.

10.0 RECORD KEEPING

- 10.1 Records will be maintained for (5) five years after disbursement of funds for single-family re-sale activities; for (5) five years after release of lien for rental activities; or as directed by the City and/or by HUD regulations.