

Neighborhood Initiative Program
Program Notice 9



Date: January 27, 2017 – *(revised 3/6/17, 6/28/17)*

To: NIP Lead Entities and Partners

From: NIP Staff

Subject: Program Notice #9: New Treasury Program Requirements

This notice includes important information about three (3) new program requirements required by the U.S. Department of the Treasury for Hardest Hit Fund blight elimination programs. These requirements have been issued in response to the SIGTARP report released on June 16, 2016.

1. As of January 1, 2017 all administrative expenses are subject to the uniform cost principals for federal awards, located at 2 CFR Part 200, Subpart E.
2. As of the date of this notice work undertaken to complete blight elimination activities must be awarded through full and open competition consistent with practices required under federal, state, and local laws. All procurement policies being followed to solicit the services of contractors for NIP projects must, at a minimum, be in compliance with Federal regulations located at 2 CFR Part 200.
3. Treasury has required Housing Finance Agencies to define the nature and amount of eligible costs for blight elimination programs.

As of the date of this notice the following requirements are being implemented to incorporate the new requirements related to procurement:

- All procurement policies currently being followed that are not in compliance with 2 CFR Part 200 must be revised to meet federal requirements **no later than February 28, 2017**.
- A copy of the procurement policy being followed by each Lead Entity and Partner that demonstrates compliance with 2 CFR Part 200 must be submitted to NIP staff **no later than February 28, 2017**. As a reminder, Partners may elect to adopt the procurement policy of the Lead Entity or may use their own policies.

- When submitting documentation of procurement, a copy of all bids received must be submitted to NIP staff. Previously only the bid of the awarded contractor was required to be submitted.
- When using the small purchase procedures method, solicitations and quotes must be documented in writing. When soliciting bids via email, a copy of the sent email and an email distribution list containing the email address, contact person, and company name must be submitted with documentation of procurement. When advertising contracting opportunities on a website, a screenshot of the posting along with the dates posted must be submitted.
- In accordance with 2 CFR Part 200, non-federal entities must distribute micro-purchases equitably among qualified contractors/suppliers. When using small purchases procedures, quotes must be obtained from an adequate number of sources. To ensure these requirements are being met, as of 6/28/17, quotes must be requested from from a minimum of three (3) contractors/suppliers when using these procurement methods.
- In accordance with 2 CFR Part 200, records must be maintained that sufficiently detail the history of the procurement. Records must include the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- Contracts may no longer be open-ended and must have a set ceiling price.
- Entities are no longer allowed to use entities with which they have an identity of interest relationship to perform services for NIP projects. Entities with prior approval to use the services of affiliated entities to perform services for NIP projects are now required to procure for such services and should consider such prior approval as revoked as the date of this notice.
- Sub-contractor requirements - The following information must be submitted for all sub-contractors performing work on NIP projects:
 1. ***NIP-14 Contract Submittal Form*** (only complete the contractor data section)
 2. ***NIP-8 Debarment Certification*** with sam.gov search results
 3. Documentation of insurance (liability, hazard, workers' compensation)
 4. Copy of the subcontractor's license appropriate to the scope of work being performed

NOTE: Companies and/or individuals hauling debris to waste disposal sites are subject to these requirements.

- The ***NIP-14 Contract Submittal Form*** has been revised to provide the procurement method used to award the contract. The updated form is to be used for the submittal of contracts solicited after the date of this notice.

As of the date of this notice the following parameters have been established to define reasonable costs for NIP projects:

- When NIP funds are being used for the acquisition of properties in an amount equal to or exceeding \$25,000, a broker opinion of value or appraisal is required to document fair market value. Properties with acquisition costs less than \$25,000 will continue to follow the FMV criteria as described in the **Implementation Manual** on page 16.

- Eligible costs for legal expenses related to the acquisition of NIP properties and the simultaneous closing of the NIP note and mortgage are defined as follows:

- A. Maximum amount eligible for attorney's fees when acquiring properties is \$800.00. The maximum \$800.00 should include the following items:
 1. Review of title search
 2. Preparation and review of documents
 3. Conducting the closing and recording title and mortgage - The amount eligible for commissioning a title search (in-house or through a separate abstractor) cannot exceed \$350.00. A separate fee to review the title abstract is not appropriate and will typically not be reimbursed. Recordation fees are limited to the fee being charged by County.

No fees over \$ 800.00 will be considered eligible costs except in extraordinary circumstances. Supporting documentation evidencing the extraordinary circumstances must be provided to NIP Staff for review and approval prior to incurring the expense. NIP Staff, in their sole discretion, shall determine whether extraordinary circumstances exist.

- B. Maximum amount eligible for attorney's fees when closing NIP legal documents (note/mortgage/modification and assignment) as a separate transaction not occurring simultaneously with the closing for the acquisition of the property is \$350.00 plus the recordation fees charged by the County.
- C. Maximum amount eligible for quieting titles is \$3,000. Quiet title costs expected to exceed \$3,000 must be provided to NIP Staff for review and approval prior to incurring the expense. NIP Staff, in their sole discretion, shall determine whether the additional expenses are necessary.
- D. Probate Expenses and Property Liens – In general, probate expenses and the extinguishment of liens that are necessary to acquire a property are eligible expenses; however, these costs are subject to the approval of NIP Staff. These expenses must be submitted to NIP Staff for review and approval of necessity and cost reasonableness prior to incurring these expenses. Any such expenses incurred after 6/28/17 without the approval of NIP Staff are done so at the risk of the Lead Entity/Partner.

- Administrative Expenses – Documentation to support the hourly rate being requested for salary and fringe benefit expenses must be submitted with the disbursement request.

- Costs for abatement, demolition, greening shall be considered reasonable when the following are taken into consideration:

1. Costs do not exceed 10% of the approved NIP-5 Cost Estimate. Costs for asbestos abatement should typically be estimated between \$3.00 and \$4.00 per sq./ln. ft. Costs for demolition and site restoration should typically be estimated between \$4.00 and \$5.00 per sq. ft. (Total heated sq. ft. of residential structure and sq. ft. of auxiliary structures). Costs estimated to be outside of these ranges will be considered on a case-by-case basis by NIP staff. When combining multiple properties into one solicitation/contract the aggregated amount of the cost estimates for each property and the aggregated

amount of the contractor's proposal for each property will be taken into consideration.

2. The bid of the awarded contractor has been determined to be the lowest and most responsive and responsible bid.
3. Costs that exceed 10% of the approved NIP-5 Cost Estimate may be considered eligible at the discretion of NIP Management on a case-by-case basis.
4. Costs for change orders will be deemed reasonable and necessary on a case-by-case basis by NIP Staff.