

City of Casa Grande

Owner Occupied Housing Rehabilitation Guidelines (HRG)

Revised February 27, 2013

Adopted by Council Motion on _____
City of Casa Grande Public Record by Resolution # _____

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PROGRAM DESCRIPTION

The City of Casa Grande administers the Owner-Occupied Housing Rehabilitation Program (OOHR, Program). In addition, the City of Casa Grande administers the Emergency Repair Grant, provides Counseling, Referrals and Technical Assistance to homeowners and/or clients.

The OOHR program is available to income qualified homeowners to assist with their housing repair needs such as but not limited to the following: Leaking roof; plumbing system; heating and cooling system; electrical system, and foundation. Upon completion of the rehabilitation project, the home will meet all applicable building and zoning codes, weatherization and energy efficiency standards. These standards help preserve affordable housing stocks by extending the life of the units by 20 - 30 years.

The State Housing and Urban Development (HUD) and the State of Arizona Department of Housing (ADOH) provide funding for the Program. The City of Casa Grande (The City) obtains funding such as the State Housing Funds HOME and the Community Development Block Grant. The City administers the Program by providing funding assistance in the form of low interest loans, interest free deferred payment loans, and grants to rehabilitate owner occupied homes within the City limits. To qualify for this program, the total family income must not exceed 80% of median gross income. The Median gross income is based on the County's current median income which could change from year to year.

In administering the Program, priorities are given to the elderly, disabled and family with children. Current homeowners and renters who are aspiring to own their homes can avail of the housing related counseling services such as:

- 1) Ownership Responsibilities
- 2) Budget/Credit
- 3) Property Maintenance
- 4) Energy Conservation
- 5) Property Taxes, Insurance, Sewer & Trash and other Utilities

Recipient of the OOHR program receives a post-rehabilitation counseling on the above items at the completion of the housing rehabilitation project. This is done to insure that proper maintenance of the unit is performed, and the homeowner becomes familiar with the operation of any new appliances, mechanical and electrical system, and heater and cooling units installed in the house.

The Housing Division provides Technical assistance to homeowners in the form of:

- 1) Initial Inspections and writing up the Housing Characteristics,
- 2) Create Plans & Specifications specific to the repairs needed for the housing unit,
- 3) Prepare the Bid proposals/cost estimates, and
- 5) Assists with the Building Permit process.

Another housing program provided by the City's Housing Division is through the Emergency Repair Grant. This program is available to income qualified homeowners who have urgent housing repairs needed to be addressed without having to bring the home up to code.

GOALS:

The goals of the Program are the following:

- 1) To benefit very low, low, and moderate income families in the City of Casa Grande in upgrading their living conditions,
- 2) To improve and preserve the quality and appearance of the housing stock and the overall environment in the community; particularly in the designated target areas, and
- 3) To bring eligible properties to meet and comply with local, state and other applicable building, zoning codes and housing standards.

The Housing Rehabilitation Guidelines (HRG) will provide as reference for housing rehabilitation projects in upgrading and preserving housing units while maintaining reasonable standards for health and safety of the homeowners.

OBJECTIVES:

- 1) Secure a variety of funding sources to allow the implementation of a comprehensive rehabilitation program to bring all eligible properties into compliance with all adopted City Codes.
- 2) To provide technical assistance and counseling services to all eligible families for but not limited to the following:
 - a) Ownership Responsibilities
 - b) Budgeting for property taxes and insurance
 - c) Property maintenance
 - d) Energy conservation
- 3) To use code enforcement activities in conjunction with rehabilitation services as an educational process in the target areas to remove health and environmental hazards and promote cleanliness and pride of ownership.
- 4) To provide referral services to the various agencies offering assistance in the areas of housing, medical, financial hardship, legal aid, etc.

TOOLS:

The aforementioned goals and objectives can be properly implemented and accomplished by having the following tools available:

- 1) Properly trained rehabilitation services personnel to provide assistance from initial contact through completion of work and loan services.
- 2) Properly trained code enforcement personnel (education/human relations) to serve as liaison for all available programs as well as beautification/environmental tasks.
- 3) Instituting a Temporary Housing Program to house families whose home is under construction through the Rehabilitation Program.
- 4.) Funds come from a variety of sources, mainly: Housing & Urban Development (HUD), Community Development

Block Grant (CDBG), State Housing Fund - HOME, USDA Rural Development 504 grants and loans, USDA, Community Action Human Resources Agency (CAHRA), local banks and Housing Development funds (funded by local building fee set-aside). Any rehabilitation project (based on eligibility) may have one or any combination of funds/components to accomplish the goal of providing decent housing. The availability of these funds makes the following components possible.

FUNDING SOURCES

CDBG FUNDED:

a) DIRECT PAYMENT LOANS (DPL) - Based on eligibility (usually low income -80% of Area Median Income) and repayment ability. These loans can be as low as three percent interest rate and carry a maximum term of 20 years. Depending on repayment ability, interest rate can be higher and term can be shorter. No loan amount can exceed the maximum amount as determined by HUD. All loans will be secured by a Deed with flexible underwriting criteria. See page 19 for more details on Revolving Loan Fund.

b) CONDITIONAL DEFERRED PAYMENT LOANS (CDPL) - a forgivable, non-interest bearing loan secured by a lien and promissory note. The note shall be forgiven at a rate of ten percent per year for ten years, as long as the dwelling is occupied by the owner or a qualifying immediate family member who has inherited the property and maintained free of code violations. The unforgiven balance of the loan shall become due and payable upon the sale, exchange, or transfer of property. The maximum amount allowed on a Deferred Payment Loan is \$30,000. Exceptions to this maximum amount may be approved by the Housing Manager. Such exceptions would be based on the individual family's situation and necessary scope of work.

c) EMERGENCY REPAIR GRANT (ERG) - A grant to eliminate a threat to life, safety or health. Maximum allowed on an emergency grant is \$5,000 per dwelling. Exceptions to the maximum amount can be approved by the Housing Manager, but will become a CDPL not to exceed \$12,000 and will be noted as Emergency CDPL. This grant may address all emergency conditions.

d) PRINCIPAL REDUCTION OR INTEREST SUBSIDY - A family may be eligible for this type of assistance when mortgage funds are available from lending institutions, but the family's income is not able to afford the market interest rate. This assistance will be tailored to the individual's ability to re-pay the loan by reducing the interest rate on the principal amount. Rehabilitation staff will provide the applicant with assistance and guidance through the institution's application and approval process.

HOME FUNDED:

e) GRANTS, DPL'S and CDPL'S (same restrictions as CDBG described on pages 4 and 5 of this document). Eligibility is based upon a household income below 80% of median income for Pinal County. Maximum amounts for any of the Grants and DPL's may vary, depending on level of funding received from Arizona Department of Housing. All homes assisted with funding received from the Arizona Department of Housing cannot exceed the maximum amount as determined by HUD.

USDA, RD FUNDED:

f) USDA RD, 504 LOANS - Subsidized interest loans administered and serviced by the USDA, RD. Limits may vary from year to year. Interest may be as low as one percent on a term of up to 20 years. Rehabilitation staff will assist applicant in completing application on USDA approved forms and by providing assistance during the approval process. Rehabilitation staff will also provide the necessary work specs, blueprints, bids, etc for USDA to package a loan. USDA will provide the funds to the City to complete the financial package for the particular rehabilitation project. These loans are secured by a

Deed of Trust.

g) USDA, RD 504 GRANTS - Applicant must be 62 years of age or older and very low income (at or below 50% of median). This grant is forgiven at the end of three (3) years as long as the dwelling is occupied by the owner. It becomes due and payable upon sale or transfer of the property if sale or transfer takes place prior to the 3rd anniversary. This grant is secured by a lien.

FUNDED BY CAHRA:

h) CAHRA GRANT - Outright grants for maximum amounts determined by CAHRA, typically requires that the family's income does not exceed 100 percent of poverty level.

HOUSING DEVELOPMENT FUND:

i) Approved by Council to create a "Local Match" fund to secure HOME & other Housing dollars that require a matching funds. Fund may be used for Housing purposes following the HUD criteria used for HOME or CDBG funds including loans, DPL's, CDPL's, ERG's, & Grants.

*NOTE: Any and all of the funds described above are subject to availability and conditions prescribed by the funding source. Additional funds may become available from time to time and will be disbursed as prescribed by the funding source.

ELIGIBILITY REQUIREMENTS:

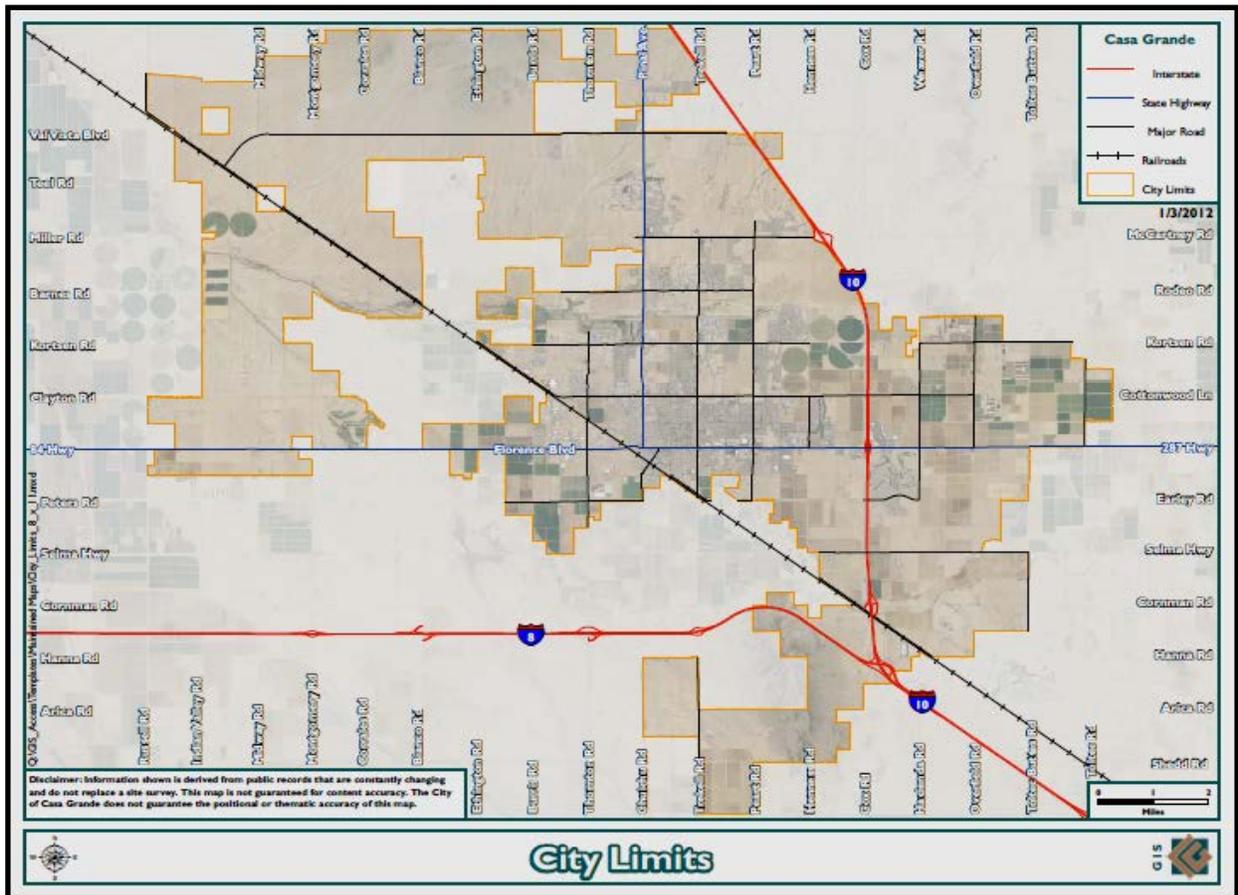
- 1) The property to be rehabilitated must be located in the Corporate City limits or in the Colonia Del Sol.
- 2) The program must assist families at very low, low, and moderate incomes.
- 3) The property must be owner occupied. In the case of up to a four family dwelling, one unit must be owner occupied.
- 4) The home must be suitable for rehabilitation under the time and monetary constraints of the program.
- 5) In some cases, if income exceeds HUD Income Guidelines, the Housing Manager may determine the family eligibility (i.e. a portion of the annual income is obligated to long term medical aid and equipment.) Special equipment is needed for health reasons (i.e. air conditioning units) which increases housing expenses or any other adjustments approved by HUD.
- 6) The program will assist any eligible person, elderly, handicap, single head of household, families with children, within the designated area regardless of race, color, religion, marital status, handicap etc.
- 7) Eligibility for loans, grants, DPL's, etc, is as follows:
 - CDBG - Grant, Direct Payment Loans (DPL), Conditional Deferred Payment Loan (CDPL) - up to 80% of area median income
 - HOME - Grant, DPL, CDPL - up to 80% of area median income
 - USDA RD 504 Loans - Up to 50% of the area median income

USDA RD 504 Grants - Up to 50% of area median income and elderly

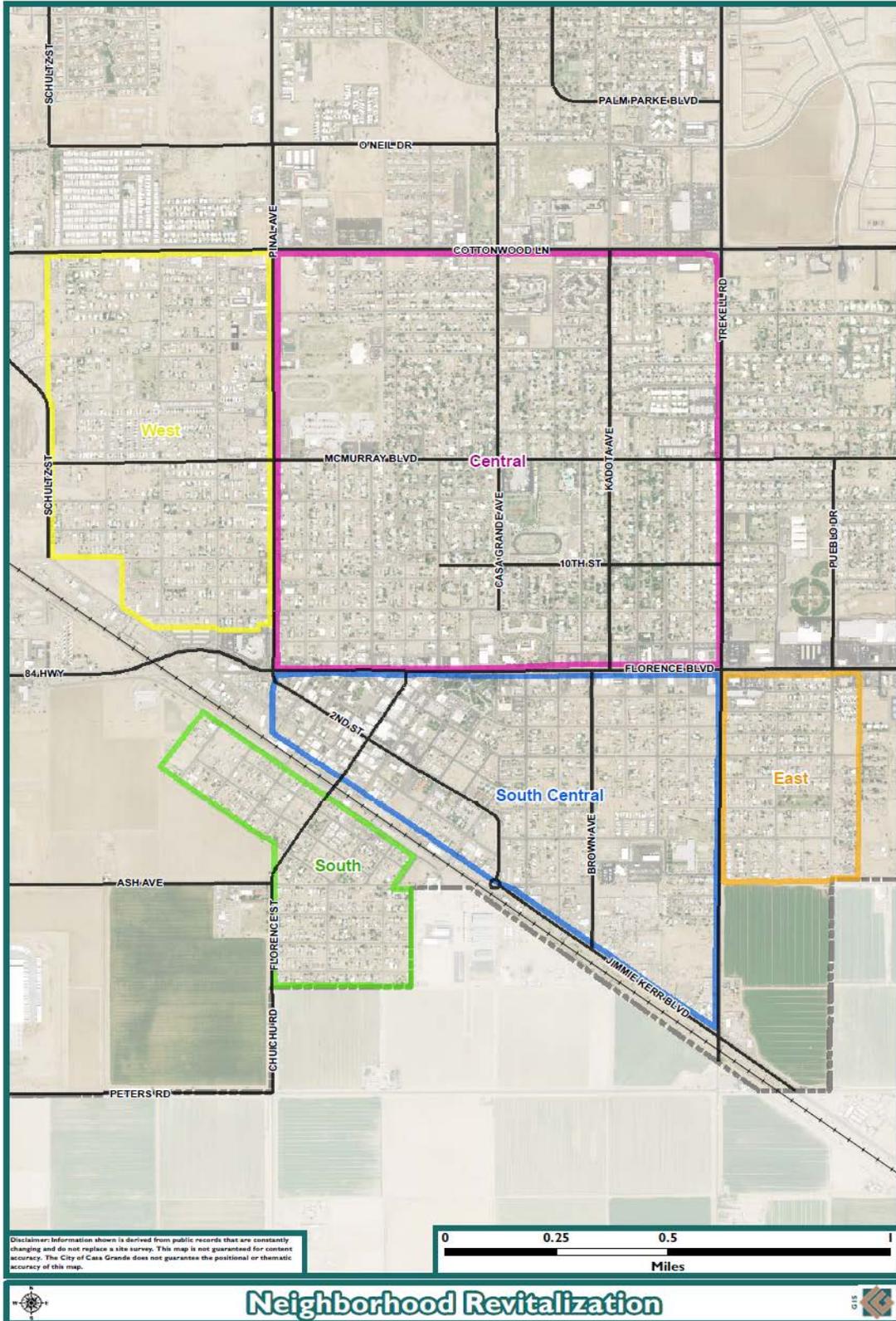
CAHRA - 100% poverty level (depending on funding source)

GEOGRAPHIC AND TARGET AREA MAPS:

The attached map reflects the Corporate City limits of Casa Grande and the designated Neighborhood Revitalization areas where special emphasis will be placed on redevelopment activities.



Current Priority Target Areas: West, East, Central, South and South Central areas as shown on the map or as directed by City Manager and Council.



AFTER REHABILITATION VALUE:

Council has adopted the level of Rehabilitation Assistance with the understanding that, with the use of Arizona Department of Housing funds, the property value after rehabilitation may not exceed 95% of the FHA 203 (b) insuring limits, currently set at \$271,050 for single-family properties as published by HUD.

To establish Project eligibility, after-rehabilitation value must be established prior to any work being performed. The after rehabilitation value may be established by one or more of the following methods:

1. Estimates of value: Estimates of value by the sub-recipient may be used. Project files must contain the estimate of value and document the basis by which the value estimates were derived. (For example, a Real Estate Broker's price opinion with supporting comparable sales.)
2. Appraisals: Appraisals, whether prepared by a licensed fee appraiser or by a staff appraiser of the PJ, may be used. Project files must document the appraised value and the appraisal approach used.
3. Tax assessments: Tax assessments for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation.

REHABILITATION STANDARDS/CODES/ORDINANCES:

All current City of Casa Grande building and construction codes, as well as the City Zoning ordinance and Flood Prevention ordinance, are adopted as part of these Rehabilitation standards unless the standards contained herein exceed them or the City building and construction codes are silent on the issue. The scope of work must comply with all the above-stated codes/ordinances, particularly if additions to the home are necessary and setback requirements are to be followed.

In addition, the City has incorporated the weatherization requirements as part of the Standard Specification with Weatherization Requirements, (see **Exhibit B**), energy conservation measures, and abatement of hazardous materials (i.e. lead base paint) as prescribed by HUD or State adopted HUD Lead-Base Paint Regulations. Information and/or brochures on Lead-Base Paint Regulations are available at the Housing Division upon request.

The program will incorporate energy efficient retrofitting wherever possible. Examples of this might be:

- Use of low Volatile Organic Compound (VOC) paint.
- Installation of additional roofing or exterior/interior wall insulation to Energy Star Standards
- Replacement of water heater with Energy Star or solar unit.
- Replacement of HVAC with high efficiency Energy Star unit.
- Replacement of windows, with dual pane, low e glass, Energy Star windows.
- Installation of Low Flow water fixtures.
- Installation of Energy Star lighting fixtures and ceiling fans.

- Installation of Compact Fluorescent Light bulbs.
- Mitigation of structural air leakage.

General property improvements are also included to upgrade the physical appearance of the home and the neighborhood as a whole.

See the Standard Specification with Weatherization Requirements (**Exhibit B**) for more detail.

THE FOLLOWING ARE EXAMPLES OF WORK THAT CANNOT BE CONSIDERED PART OF REHABILITATION:

- 1.) Items that exceed the quality of products as specified in **Exhibit B**, i.e. upgraded carpet/tile (U.M.44 FHA rated only).
- 2.) Luxury items not considered a necessity, i.e. fireplaces, swimming pools, connection to cable T.V., etc.
- 3.) Additions for family rooms, recreation rooms, etc. (bedroom additions will be considered based on family structure and over-crowding in existing house).

MARKETING POLICIES

MARKETING TO POSSIBLE APPLICANTS:

The Housing Program in Casa Grande is founded on the premise of helping those who want help. Thus, the participants in the program are completely voluntary. The Housing Division, however, makes every possible effort to inform and promote program awareness to the community. Although word of mouth has been the strongest means of program promotion, other means are employed such as the following: developed flyers in both English and Spanish, advertisement in the local newspaper (Casa Grande Dispatch), door to door delivery of flyers, short visit describing the program and an invitation to apply. The Division also coordinates with the City's Public Information Office to host a Housing Program show on the local cable channel. Housing Division also has a network for referrals from 1) local utility companies - (i.e. the power company will advise that they have disconnected service at a particular address because the service is so inadequate, it creates a health/fire hazard), 2) the Building Department - (i.e. homeowner trying to do repairs himself/herself and lacks the funds or expertise to do the work), 3) Code Enforcement Officer - (i.e. during the course of inspections regarding a junk car, he/she observes a broken sewer line, leaky roof, etc).

All Promotional materials and other marketing tasks are done by the rehabilitation staff whenever possible and on an on-going basis. Some tasks may have to be contracted out if they require professional printing services, or work load impedes housing rehabilitation staff from their duties to conduct a comprehensive door to door housing stock study/marketing plan. It is recommended that such comprehensive studies be conducted every 10 years (similar to the Census) to determine and physically locate and evaluate each dwelling unit in the targeted areas. The results of a study of this scale help provide the Housing Division with the information necessary to assess existing programs and services, and implement new ones if necessary to achieve desired goals.

The Housing Manager will be responsible for ensuring that all marketing costs are within the approved funds budgeted amount. Other than the isolated contractual tasks, marketing on an on-going basis will be

part of Rehabilitation Services costs.

The Housing Manager is also responsible for the translation and complete review for accuracy and clearness of the contents of any marketing materials. Every marketing material will include fair housing and non-discrimination clause.

MARKETING TO CONTRACTORS:

The Housing Program follows the procedures for procurement and contracting as directed in the handbook distributed by the State Department of Housing. This handbook and any updating information/additions to the same (Informational Bulletin's) are kept by the Housing Manager and are available for review and reference by any interested person(s).

It is standard procedure to advertise for rehabilitation bids in the local newspaper (Casa Grande Dispatch) which is distributed to surrounding areas.

The Housing Manager also keeps a list of qualified licensed and bonded contractors. These contractors are notified by mail, telephone or in person of any jobs that may be out to bid.

A referral network is in place with the Building Department and the State's Dodge Report.

Every effort is made to obtain a minimum of three bids for each house. Minorities, small business, and women owned firms (using MBE, WBE, etc.) are encouraged to bid.

It is also common to refer to the yellow pages as they are updated, and invite new companies to submit an application to be included in the list. A simple application can be obtained from the Housing Office and, once completed, the Housing Manager verifies all the information therein, and determines eligibility. The application information includes Contractors License number, Tax I.D. Number, insurance certificate, City Business License, and references.

MARKETING TO THE GENERAL PUBLIC:

The City of Casa Grande makes every effort to promote program awareness to the general public by giving speeches to local groups such as the Board of Realtors, the Women's Club, Neighborhood Meetings and any other group that may be interested. The program is also available for review and comment to the general public at scheduled public hearings held prior to any application for funds is submitted.

An update as to program accomplishments is often included in the City's annual report to the citizens (an annual bulk-mailing that reaches every household in the City), press releases, City sponsored-publications, neighborhood meetings and periodic updates in the local media and to the City Council.

STAFFING/ADMINISTRATIVE STRUCTURE:

All work related to the Administration and Rehabilitation Services for the program are done in-house.

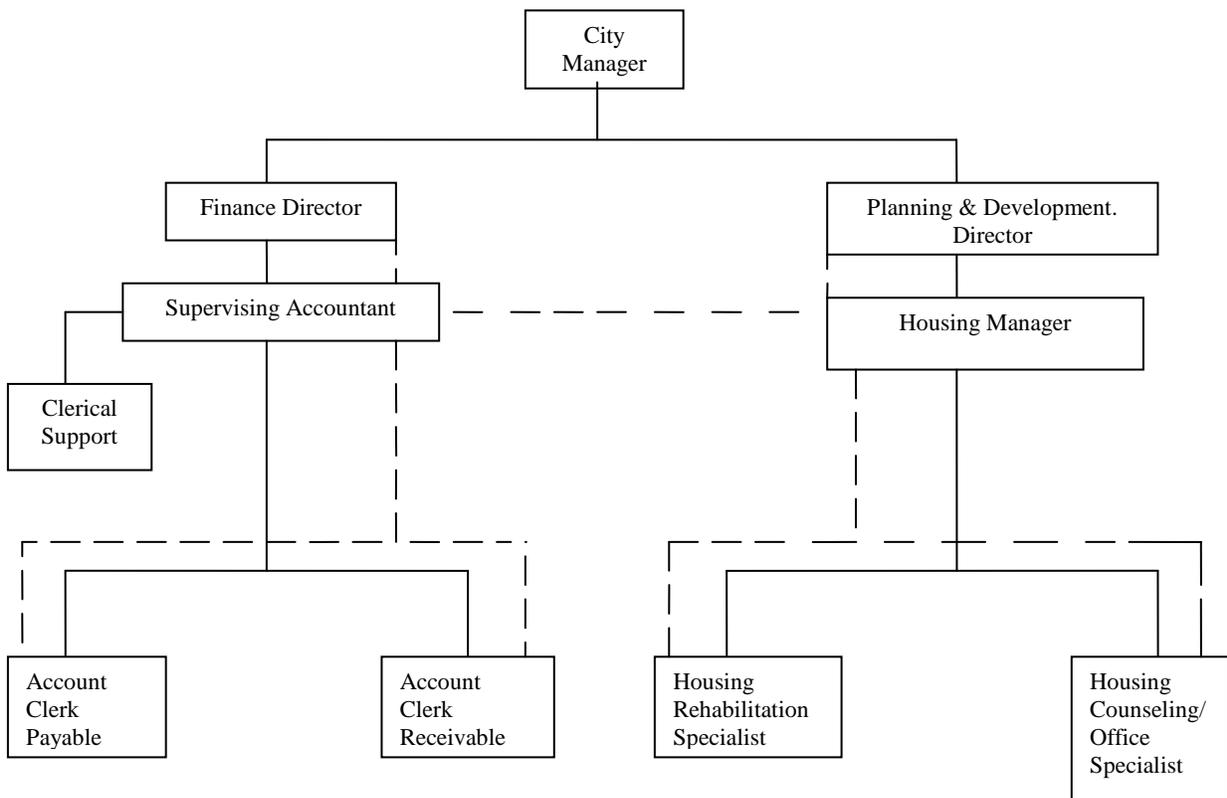
The Housing Manager is responsible for all Council presentations and requests, which pertain to the use of Grant Funds. The Housing Manager is responsible for writing all grant applications for submission to the COG or other funding agencies. The Housing Manager is also responsible for all correspondence with the Department of Housing regarding CDBG, HOME, HTF, etc. funds and with other funding agencies as well as in-house correspondence/memos with the City's Finance Director and Accounting Supervisor who are responsible for the day to day record keeping, program income, payables and receivables, and final audit.

All personnel involved in the financial and technical implementation of the Program are certified in their particular field of expertise. Additional training for financial staff is supplied and paid for with City funds. Technical staff receives additional training and keeps informed of new regulations, guidelines, innovative programs and strategies by attending workshops and training sessions paid for with grant monies.

Current staff of 2.5 FTE handles an average load of approximately 12 units per year. At this rate approximately 800 inspections are necessary with approximately 12 loans being serviced.

The following diagram illustrates the relationship between the various staff

STAFFING/ADMINISTRATIVE STRUCTURE



THE APPLICATION PROCESS

The Housing Manager or her/his designee is responsible for the application process.

Handicapped individuals have access to the offices via ramps and elevators. If needed, the Housing Manager or her/his designee will visit the home to obtain all necessary information.

Typically, the initial inquiry is via telephone. A pre-screening process during the telephone conversation is initiated to determine preliminary eligibility: 1) low- income and owner occupancy, 2) types of problems they are experiencing to determine emergency situations, i.e. power turned off due to major problems, thus no heating or cooling, infants or disabled elderly involved. If determined eligible, an appointment is immediately arranged. If not eligible, the family is referred to another agency equipped to provide the necessary assistance.

The Housing Manager or her/his designee will assist in the preparation and review of the application to ensure accuracy of information. The applicant will sign a Privacy Act Statement giving the Housing Manager permission to verify all information in the application. Confidentiality will be ensured by keeping the information in locked files in the Housing Division. The Housing Manager or her/his designee will verify all income via letter from Social Security, Veteran's Administration, Employer's V.O.E.'s, check stubs, tax forms, etc. Third party income verification should be used whenever possible.

The Housing Manager or her/his designee will also verify ownership by ordering a preliminary title report and review County Assessor's records.

DEFINITIONS:

Income: All wages, financial assistance from Social Security, Veterans Administration, Arizona Department of Economic Security, alimony, child support, unemployment, and any income from any other source.

Family/Household: All persons occupying the house including permanent extended family, i.e. elderly parents, single children with children. (In the case of more than one family per unit, every effort is made to provide the non-owner with home ownership opportunity through another program to decrease over-crowding.)

Prior to the formal application being approved, two eligibility determinations are made.

- 1) Family - based on income and home ownership
- 2) Property - feasible for rehabilitation

There is no ranking process for the applications. The program operates on a first qualified first served basis; however, if an emergency situation is found at the home, it is given priority, additionally priorities are dictated by the funding sources i.e. elderly/disable/families w/children etc. The Housing Manager is responsible for approval/disapproval of each application. This is normally done in person with formal application and certifications.

Additional qualifiers/conditions will require that all property taxes and sewer and trash bills are paid and that a homeowner's insurance policy is in effect. All housing beneficiaries will attend Homeownership Counseling sessions provided by qualified Housing staff to cover at a minimum; home maintenance, budgeting, and credit counseling.

WORK WRITE UP

The work write-up is prepared by the Housing Rehabilitation Specialist. The Rehabilitation staff are experienced in construction, drafting and inspection fields and required to keep abreast of the latest code requirements, construction methods and materials and, particularly, historic preservation. It is important in our program, to preserve the architectural features of a particular era. The finished product shall complement the surrounding area. Therefore, it is important that this staff has the knowledge and the skill to identify a particular feature, determine if it is repairable, and what products are available to accomplish this task. In a case where code and preservation conflict, the work shall be done to code but every effort will be made to provide the "look" of a particular feature, whether structural or nonstructural.

The Housing Manager is responsible for reviewing the accuracy of the work write-up and the homeowner will approve final work write-up. The work write-up will call for items that meet code as per the Rehabilitation Standards and will specify sizes, location, etc. The work write-up may be accompanied by a set of plans complete with construction details. The plans will identify all areas of the house and approximate dimensions, door and window locations, etc. The work write-up can be specifically cross-referenced. Example:

- 1) The plans will show the layout and dimensions of the house, i.e. bedroom #1, bedroom #2, kitchen, living, bath, etc.
- 2) The work write-up has detailed description of the work involved, i.e. Bedroom #2 and specifies all work to be done, i.e.
 - a. Replace deteriorated paneling in north wall with 1/2" gypsum board, finish, texture and paint with (brand) or equal to full coverage (owner to select color)
 - b. Replace existing passage door locks with new privacy locks (Kwik-set or equal).

When changes are made to the specifications after bid openings, a change order will be prepared and will be approved by the homeowner, Housing Rehabilitation Specialist, contractor and Housing Manager.

Although a standard set of forms is used to complete the work write-up, the work and materials will be individually tailored for each dwelling unit.

COST ESTIMATES

The Housing Rehabilitation Specialist is responsible for the preparation of a cost estimate for each job. In addition to the experience and training previously mentioned under work write-up, this staff must also keep abreast of the economic conditions in our area in regard to the construction trades including but not limited to: availability of qualified contractors, materials and labor costs. Training for Housing Rehabilitation Specialists is provided by City and Grant funds depending on availability of sessions and resources.

The Housing Rehabilitation Specialist has a Cost Estimate Manual for reference and cost estimating software. This manual is updated periodically to reflect any changes in the area.

The Housing Rehabilitation Specialist will prepare a cost estimate for each individual dwelling based on scope of work and technical specifications as determined in the work write-up. The cost estimate will include all cost for materials and labor as well as cost for permits, clean-up, and overhead and profit.

PRE-CONSTRUCTION PROCESS & TIMELINE

The City of Casa Grande has adopted a formal bid process for the Rehabilitation Program. During the initial interview, the homeowner(s) is made aware of each step of the process, the details for each step and the time frame between such steps. For example:

- a. Two weeks from the approval of application, the Housing Rehabilitation Specialist will schedule an appointment for a detailed initial inspection.
- b. Two weeks from initial inspection, a consultation with the homeowner to approve specifications and plans, and a discussion of allowable items/non-allowable items, warranties, etc. will be scheduled.
- c. Upon the homeowner's approval of specifications and plans, a bid will be advertised in the local newspaper and in the City of Casa Grande Website.
- d. In the following two weeks, a contractor's "walk-thru" to inspect house prior to bid will be scheduled.
- e. After two weeks of bid advertisement, a formal sealed bid opening will take place. Contractors, homeowners, Rehabilitation staff and any other interested persons (attendance is documented as witnesses) may attend the bid opening.
- f. A conference is held with the homeowner prior to the bid award.

PROCUREMENT PROCESS:

The Housing Manager keeps an updated list of qualified (license/bond verified with Registrar and insured) contractors, who are notified in writing, telephone, or in person of any bid invitation. This is in addition to the newspaper legal advertisement and Dodge Report.

New contractors are invited to submit an application to be included in the list. All information in the application will be verified by the Housing Manager or her/his designee, prior to the bid opening and award, to protect the homeowner and the Program from any liabilities, lack of warranties, or poor workmanship.

The Program may advertise more than one dwelling for bid at a time, depending on case load. The sealed bid process will remain the same for the individual houses.

I. BIDDING PROCESS (excerpt from "Procedures for Contractors", available at the Housing Division upon request)

1. Request for Bids: Notice of Requests for Bids is advertised in the legal notice section of the Casa Grande Dispatch, generally two (2) weeks prior to the date of bid opening.
2. Pre-Bid Conference/Walk-Thru: The Housing Rehabilitation Specialist will arrange a date and time to conduct a walk-thru of the house with all interested contractors to discuss all specifications and plans. **Contractor's attendance at the pre-bid conference/walk thru is required in order to participate in the bid.**
3. Bid Submission: Submit proposals for each project in a sealed envelope with the owner's name and address and the Contractor's name clearly shown. Return all specifications and

drawings along with the proposal. Fill out bid forms completely. Bids must be delivered by the time indicated; late bids will not be accepted.

4. Notification of Bid: All contractors who have submitted a bid will be informed by a letter from the Housing Rehabilitation Program Administrator of the bid awards. The letter will include protest procedures/grievance procedures.
5. Specification Changes: Bid projects as specified. Changes (if any) in specifications will be provided to all bidders as an addendum to the original specifications at least 3 days prior to bid opening date by the Housing Rehabilitation Specialist.
6. Codes and Standard Specifications: The Contractor is responsible for knowledge of the City's adopted building codes and the Neighborhood Development Program's Standard Specifications. All work must comply with these standards. The work specifications may, on occasion, exceed the minimum requirements.

II. BID AWARDS

1. Bid Award

Bids are awarded by the homeowner; however, housing staff will recommend the award be made to the lowest qualified bidder. The Housing Manager reserves the right to reject any and or all bids for reasons including but not limited to the following:

- A. The Contractor is not licensed or has had his license suspended or has been barred from projects involving certain funding sources (i.e. HUD).
 - B. The Contractor is not able to proceed with the project in a timely manner due to other commitments.
 - C. The bid submitted is more than 15% below Housing Rehabilitation Specialist's cost estimate and, in the Housing Rehabilitation Specialist's judgment; the Contractor will not be able to complete the project as specified for the bid price.
 - D. The Contractor has failed to complete past projects in a timely or workman like manner or has failed to respond appropriately to requests for warranty service.
 - E. The Contractor has failed to provide lien waivers as required or has had mechanic's liens filed by suppliers or subcontractors on past projects.
 - F. Bidding forms are improperly filled out or incomplete.
 - G. All bids submitted are more than 15% above the Housing Rehabilitation Specialist's cost estimate.
2. Owner Bid Rejection: The Owner may reject any or all bids without cause subject to the following provisions:
- A. The Owner may choose to reject the lowest qualified bid recommended by the

Housing Manager and select a Contractor other than the lowest bidder if the Owner is willing to provide from his own funds an amount equal to the difference between the low bid and the selected bid.

B. The Owner may reject all bids at any time up to three working days after the contract is closed.

3. Delays in Awarding Contract: Generally the contract will be closed and work will begin within thirty days of the date of bid submission. If thirty days have passed since submittal of bids and no contract has been signed, the Contractor has the option of:

A. Honoring the original bid.

B. Withdrawing his/her bid.

If the Contractor chooses to withdraw his/her bid, the project will be offered to the next qualified low bid or a new bid process will begin. The Housing Manager reserves the right, with the owner's concurrence, to negotiate any bid.

WORK BY HOMEOWNER:

Work by homeowner is not allowed for HOME and CDBG rehabilitation program. The intent of this restriction is to avoid any question or misinterpretations of warranty items and workmanship warranty in future "call-back" notices. The Contractor is made responsible for any damages, theft or materials, etc. at the house until the house is completed. Therefore, any labor other than which the contractor is responsible is not allowed. There may be some exceptions but only related to general property improvements, i.e. landscaping. These exceptions must be approved by the Housing Manager.

Please refer to the Rehabilitation contract for additional conditions/restrictions for homeowner and contractor.

AGREEMENTS, CONSTRUCTION CONTRACTS, AND OTHER DOCUMENTS

All forms used for the construction contract between homeowner and contractor, agreements and other documents are available at the Housing Division such as the following:

- Work Write-up,
- Specifications,
- Warranties, Provisions, Conditions and Restrictions for both parties.

Other forms used before, during and after construction are also available at the Housing Division upon request which include and are not limited to:

- Application,
- Contractors Qualification,
- Procedures & Bid Package,

- Privacy Act Statement,
- Characteristics of Property,
- Bid Proposal or Package,
- Bid Advertisement,
- Bid Opening Form,
- Contract,
- Notice to Proceed,
- State-Adopted HUD Lead-Base Paint Regulations Form and Brochure,
- Environmental Review,
- Truth in Lending Disclosure Statement,
- Consent to Deed,
- Deed of Trust,
- Promissory Note,
- Notice of Opportunity to Rescind Transaction,
- Public Body Certification as to Compliance with Truth in Lending Act,
- Authorization to Disburse Funds,
- Inspection and Disbursement Orders,
- Lien Waivers,
- Certificate of Release and Final Payment Statement,
- Certificate of Owner's Acceptance,
- Certification of Final Inspection,
- Disposition of Funds,
- Rules and Conditions for Temporary Housing,
- Check List for Temporary Tenants, Grievance Procedure.

All of these listed forms apply to all Government funded projects. Additional forms may be necessary depending on what other sources of funds may require for documentation, i.e. a project funded by CDBG and USDA will also contain USDA application, budget form, promissory note, etc.

A check list is retained in each individual file noting all these documents and additional documentation such as income verification, property tax statement, title report, title insurance, etc.

This check list will reflect the type of documents included in each file and will note those that do not apply as "N/A".

Each file will contain a Deed and Promissory Note unless it was strictly funded with unconditional grants.

PRE-CONSTRUCTION CONFERENCES

As previously mentioned, a pre-construction conference with the homeowner occurs prior to any bid advertisement. Once the homeowner agrees to and understands the scope of work that will be performed, the work that will NOT be performed, and time frame for construction, temporary housing, etc. a bid advertisement will be made.

The Housing Rehabilitation Specialist will hold additional pre-bid conferences at the property with prospective contractors and homeowners present. This provides an opportunity to answer any questions regarding the work and prevent misunderstandings between all the parties involved.

TEMPORARY HOUSING POLICIES

Temporary housing is provided if it is determined by the Housing Staff that there is a need for the homeowner to move out of their unit while work is being done to the house. Every effort is made to cater to the families' individual needs (i.e. ADA accessibility for the elderly and handicapped, families with children).

Housing Division Staff will insure that all temporary housing units are in "move-in" condition; this will be verified by both staff and Rehab participant following a check list during a "walk-thru" of the unit prior to occupancy. The program participant will be aware of rules and conditions for Temporary Housing and will sign acknowledgement and receipt of said Rules and Conditions.

In situations where the Program Participants opt to not use the temporary housing unit, (i.e., elderly staying with family), the Program may cover the costs associated with storage of their belongings.

REHABILITATION PROJECT INSPECTIONS

Inspections during the course of construction will be performed by qualified City Building Inspectors to ensure that all work complies with the applicable building codes. Building Inspectors are required to be certified in their field and training is provided for with City funds.

In addition, the Housing Rehabilitation Specialist will conduct daily inspections to ensure and monitor progress, identify any problems that may need to be addressed through a change order, insure compliance with HUD requirements and non-code items. This staff member is also experienced in the inspection field and training is provided with Grant Funds.

An inspection and disbursement order is completed by the Housing Rehabilitation Specialist, signed by the contractor and approved by the Housing Manager. This order reflects percentage of work completed to date, amount of draw, and contract balance.

CHANGE ORDERS

A change order may be requested by the contractor for circumstances which were not included in the original work write-up, due to unforeseen safety or code violations. The contractor must have written approval from the Housing Rehabilitation Specialist before undertaking any change order work. All change orders must be approved by the Housing Manager. The homeowner must be informed of any changes to the contract or other problems encountered during the rehabilitation work and sign the change order form.

PAYMENTS AND WARRANTIES

The Inspection and Disbursement Order, when signed by the contractor, constitutes a Request for Draw. The Housing Rehabilitation Specialist will inspect the job to determine percentage of work done and certify same by signing the Inspection and Disbursement Order. The Housing Manager will determine amount of draw to insure a minimum of ten percent retention and approve payment.

The Housing Manager will submit a Requisition for Direct Payment to the Finance Department bearing the Director's signature of approval. The Inspection and Disbursement Order is considered the back-up documentation.

The Finance Department will issue a check for the requested amount and give it to the Housing Manager. The Housing Manager or her/his designee will copy the check for file documentation and will release it to the contractor upon receipt of required lien waivers.

Typical progress payment schedule:

- 20% upon completion of at least 30% of contracted work.
- 40% upon completion of at least 50% of contracted work.
- Up to 80% upon completion of approximately 100% of contracted work.
- Balance upon issuance of Certification of Final Inspection and Owner's Acceptance.

CASE MANAGEMENT AND TRACKING

The Housing Manager is responsible for reporting procedures and for the maintenance of all case files.

The Housing Rehabilitation Specialist maintains a progress chart (bulletin board) on each dwelling under construction.

Housing Manager or his/her designee reports progress to funding sources and City Administration on a monthly basis or as required.

The Housing Manager or his/her designee is also responsible for all performance reports to the Arizona Department of Housing including but not limited to family and contractor profiles (minority, handicap, etc.) and for the maintenance of current log of all properties that have participated in the Rehabilitation Program.

COMPLAINTS AND APPEALS

The applicant(s) and contractors are informed about the complaints and appeals process. Each will need to sign and given a copy of the Grievance Procedure. In the event of a disagreement between homeowner and contractor with respect to rehabilitation work, the Housing Rehabilitation Specialist will mediate all disputes. If this arbitration is unsatisfactory, appeal may be made by either party to the Housing Manager for determination. This appeal process does not preclude property owner and/or contractor from appealing to other parties they deem necessary, i.e., City Manager, HUD, etc. (please see formal **Grievance Procedure**, attached hereto as **Exhibit A** and incorporated herein by this reference.)

CONFLICTS OF INTEREST

In accordance with City policy, State Statute, and Federal Law, employees at all levels shall, at all times, be free from any interest, influence, or relationship that might conflict or appear to conflict with the best interests of the City in the administration of funds distributed pursuant to these guidelines. The general rule is that no persons described herein who exercise or have exercised any functions or responsibilities with respect to funds distributed pursuant to these guidelines or who are in a position to participate in a decision making process or gain inside information with regard to such activities may obtain a financial interest or benefit from the activity, or have an interest in or benefit from the activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family (to the third degree of affinity or consanguinity) or business ties, during their tenure or for one year thereafter. These provisions apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the City.

To the extent permitted by state guidelines and federal law, conflicts of interest may be waived provided that (a) all information relating to the conflict is publicly disclosed, (b) the City Attorney provides an opinion that the matter does not pose a conflict that would violate state law, and (c) to the extent required, prior approval by the administering state or federal agency is obtained.

In the event of any conflict, potential conflict, or request for waiver, the party to which the conflict applies shall promptly note, in writing, the specific facts giving rise to the potential conflict and fully and frankly discuss the matter with the appropriate supervisor and the Planning and Zoning Department Director to determine whether a conflict exists. The Planning and Zoning Department Director shall, prior to making any determination that the matter does not pose a conflict or that the conflict is appropriate for waiver, discuss the matter with the City Attorney and City Manager. No waiver shall be granted or matter deemed to not be a conflict without the written concurrence of the Planning and Zoning Department Director, City Attorney, and City Manager (or their designees), unless the matter is deemed to not constitute a conflict. Pursuant to this paragraph, in no event should an employee or agent participate in the decision or action regarding the request or action.

CDBG FUNDED PROJECTS POLICIES AND PROCEDURES:

REVOLVING LOAN FUND

The City of Casa Grande administers a HUD approved Revolving Loan Fund using CDBG funds. Proceeds from this fund (loan repayments-Program Income) are restricted to Housing Rehabilitation activities with all applicable Federal Rules and Regulations including the expenditure of all Program Income prior to drawing down of any open/current CDBG award.

POLICIES & PROCEDURES

Direct Payment Loans (DL): Customized to applicants needs/repayment ability. The flexible underwriting criteria used by the Housing Manager includes HUD recognized ratios (Housing costs not to exceed 30%) and adjustments (on-going medical cost such as insulin, oxygen, etc.). The Program has no restrictions regarding mortgage positions but close attention is paid to instances other than 1st position not only for repayment ability but to place the rehab loan in a more advantageous position. Therefore, the program will, if funds are available from any source, consider a pay-off of any existing mortgage, particularly a high

interest loan that may hinder affordability.

Conditional Deferred Payment Loans (CDPL): Also customized to applicants needs/repayment ability. This type of loan is typically used in every project, often combined with Grants and Direct Loans to achieve affordability while maintaining Program minimum standards (code) and quality product.

Loan Documents: All loans are secured with a Promissory Note and Deed of Trust. Depending on the individual property owners, additional documents may be required by the Title Company issuing the Preliminary Title Report and Title Insurance Policy to insure clean title.

Recording Procedures: Completed documents are submitted to the Title Company for review, proper recordation, and issuance of Title Insurance Policy. Recorded documents are returned to the City, and copies of all documents are given to homeowner, City Clerk and project file.

Loan Servicing Procedures: The City's Finance Department provides loan servicing tasks as in-kind contribution to the program. The Housing Division provides loan set-up documents to the Finance Department, which includes copies of all Promissory Notes bearing 1.) Loan amount 2.) Term 3.) Interest rate and amortization schedule. In the case of CDPL's, the Promissory Note includes conditions and rate and term of deferral.

The Finance Department sets up individual accounts and services in the form of monthly billing and collects and credits payments to the individuals account. The City may, at its discretion use the services of a Title Company to service any and all loans.

The Finance Department will promptly notify the Housing Division if any loans have been paid off. The Housing Manager will prepare the necessary lien release/Satisfaction of Mortgage for the City Manager's signature and forward to County Recorder's Office for recordation. Copies of recorded releases are kept at the City Clerks office and individual project file.

Delinquencies: The Finance Dept. will issue monthly status of accounts to the Housing Division. Housing Staff (Housing Counselor) will schedule a meeting with any homeowners that are delinquent in their payments (usually a home visit). A current income/debt budget will be prepared and causes of non-payment will be documented (illness, death, job loss, etc.). A complete report of findings is reviewed by the Housing Manager to issue a recommendation for City Manager's approval. The City Attorney and Finance Director will assist in determining the best course of action to cure the delinquency. Recommendations may include: re-writing of the loan, loan moratorium, conversion to CDPL, or conversion to Grant. In no instance, where a genuine problem/need is identified, will the City enforce conventional financial interest over the provision of Affordable Housing for those in needs. If the findings disclose that the family no longer needs/occupies the house and has disregarded the loan obligation(s) for unjustified reasons; the recommendation may be foreclosure to make this unit available to another qualifying family in need of Affordable Housing.

Program Income (PI): All monthly payments and early pay-off amounts received from CDBG funded direct loans or conditional deferred loans are documented as Program Income (PI)/Revenue to the current open CDBG Housing Rehab Grant. The Finance Dept. provides a monthly PI Revenue report to Housing Staff and amounts received are reported to the State of Arizona Department of Housing in the F-3 and F-4 request for payment forms. Revenue and expenditure reports are available for monitoring/auditing purposes to funding sources. Additionally all grant funds and program incomes are included in the City's annual audit. Audits are also submitted annually to the funding source.

Homeowner's Insurance & Property Taxes:

*Insurance: Verification of homeowner's insurance is part of the qualification process as required by the funding sources and the City's policies in order to protect the financial interest of all involved.

Upon agreement/acceptance of the proposed financial package, the homeowner will be directed to contact the insurance company and add/include the City of Casa Grande as mortgagee prior to closing. Proof of coverage for an amount no less than the total amount of financial assistance is required.

The insurance company will mail renewal notices (premiums due) to the homeowner and to all lien holders (mortgagees). Housing Staff will contact the family to verify their receipt of renewal notices and request verification of payment (new policy). In the event that payment was not received the insurance company will issue a notice of cancellation to homeowner and all lien holders. At this point the Housing Counselor will investigate the reasons for non-payment and notify the Housing Manager if the family is unable to pay the required premium before cancellation date. The Housing Manager will insure that a homeowner's policy is in effect to protect the financial interest by providing payment of premiums due. These premiums will be added to the outstanding balance of the loan and all terms and conditions for repayment will apply.

*Property Taxes: County data base including Treasurer's Property Tax records are readily accessible through the City's Information Technology System. Housing Staff will check all properties with outstanding direct or deferred loans. This process will take place bi-annually in October and in May of the following year when the first and second halves of taxes are due, respectively. In the case of non-payment, Housing Staff will follow the same process as non-payment of insurance as described above. Exceptions to insuring payment may be recommended by the Housing Manager in the event that the amount of property taxes due greatly exceeds the balance of the outstanding loan and only after family's situation/needs have been carefully considered. In all cases, homeownership responsibility Counseling will be provided to the family to stress self-sufficiency beyond the term of the loan.

Typically, the risk of non-payment is higher when the City's interest is in first position since conventional first mortgage impounds/escrows for both taxes and insurance. The City may at its discretion, create impound/escrow accounts to cover either or both taxes and insurance, particularly in cases where a direct loan (monthly repayments) has been awarded with a first mortgage position.

SUBORDINATIONS /REFINANCING

Before Rehabilitation:

All loans are secured with properly recorded Deed of Trust or other security instrument(s). The Housing Manager is responsible for determining the appropriateness of any security document's position. Particular attention is paid when there is an existing mortgage in first position that is not being refinanced and various funds are used for the rehabilitation. The funding sources may, in some cases determine the lowest, subordinate position allowed; and/or types of encumbrances that may be allowed in senior positions.

After Rehabilitation:

It is not unusual to receive request for subordination from equity/refinancing lenders during the term of repayment or recapture. Our homeowner education/counseling program includes a "beware of predatory lending practices" and a "protect your equity/investment" section, in an effort to increase the homeowner's knowledge regarding any future transaction.

It is our policy that any subordination request from a lender will not be considered until such time that complete documents describing loan amounts, terms, interest, and purpose of the loan (refinancing exist. debt, cash-out, etc) are submitted to the Housing Manager for review. After review, the Housing Manager will have a conference with the homeowner to verify accuracy of the information submitted and the homeowner's understanding and need of the proposed transaction, as well as to discuss the impact on total housing costs (short term AND long term). Housing Manager will recommend approval of subordination documents by the City Manager, only in cases where it will reduce the overall monthly housing cost to the family, exceptions to this will be considered on a case by case basis and will typically consist of an emergency situation or a suitable use of equity such as college tuition or long term care for elderly. Homes assisted through the Arizona Department of Housing funding must adhere to guidelines adopted through the Arizona Department of Housing.

In refinancing situation where City housing loans are paid off, the income generated (PI) will be applied as directed/approved by the funding source. Currently, our program uses both CDBG and Home funds with Deed of Trust and promissory notes as security instruments. In the case of program income generated by a CDBG funded note, the income will become part of the City's approved Revolving Loan Fund and re-used for housing rehabilitation purposes. In the case of HOME (SHF) funds, any program income received will be returned to the State of Arizona, unless otherwise approved by the State of Arizona Department of Housing.



GRIEVANCE PROCEDURE

CITY OF CASA GRANDE HOUSING DIVISION
510 E. FLORENCE BLVD. CASA GRANDE, AZ 85122

In the event of a disagreement between any parties involved in our Housing Programs namely; contractor, homeowner, housing staff, and suppliers, or other interested parties, regarding any process of the program including and not limited to: Procurement, Bid Process, Bid Award, Payment Schedule, Change Orders, Workmanship, and Warranties, a formal grievance procedure must be followed. Steps and time frames as described below:

- 1) A written complaint specifying the problem must be submitted to the Housing Manager.
- 2) Housing Manager will issue a determination within two (2) weeks of receiving the written complaint.
- 3) If the Housing Manager's determination is not satisfactory, this may be appealed by submitting a written request to the Planning and Community Development Director.
- 4) A determination by the Director will be issued within two (2) weeks.
- 5) The Director's determination may be appealed in writing to the City Manager.
- 6) The City Manager's determination is to be considered FINAL, and will be issued within two (2) weeks.

NOTE:

This does not preclude the complainant from appealing to other parties they deem necessary, i.e., City Council, Registrar of Contractors, or Trade Organization.

For complaints regarding alleged discrimination the Housing Manager will assist in providing the proper 504 or A.D.A. procedure.

Exhibit B

Standard Specifications with Weatherization Requirements