



# City of Casa Grande

## Owner Occupied Housing Rehabilitation Guidelines



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## Program Description

The City of Casa Grande (the City) administers the Owner-Occupied Housing Rehabilitation Program (OOHR Program) including the Minor Emergency Repair Program. The OOHR program is available to income-qualified homeowners, to assist with their housing repair needs such as but not limited to the following: Roofing; 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 20-35 years.

The Office of Housing and Urban Development (HUD) through the Community Development Block Grant (CDBG) Entitlement, and the State of Arizona Department of Housing (ADOH) through the State Housing Fund and HOME grant provide funding for the Owner-Occupied Housing Program. In addition, the City seeks additional funding from additional agencies to help fund the repairs of homes. 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. HUD provides the median gross income every year, which could change from year to year.

The Program gives priorities to the elderly, disabled, and families with children. Recipients of the OOHR program receive post-rehabilitation counseling on the maintenance of the home and familiarity with the operation of any new appliances, mechanical and electrical systems, and heater and cooling units installed in the house.

Technical assistance to applicants is in the form of:

- Application assistance,
- Initial Inspections and documenting the Housing Characteristics,
- Creation of Plans & Specifications specific to the repairs needed for the housing unit and addressing safety issues,
- Preparation of the Bid proposals/cost estimates,
- Assistance with the Building Permit process, and
- Managing the project until its completion.

## Goals

The goals of the Program are the following:

- 1) To provide safe and decent housing to low-and-moderate income homeowners.
- 2) To preserve the affordable housing stock in older neighborhoods.

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

## Objectives

To provide housing rehabilitation assistance to low-and-moderate income homeowners by causing properties to meet and comply with local, state and other applicable building, zoning codes, and housing standards, and; to prevent slums and blight.

## Tools

The following tools help implement the aforementioned goals and objectives:

- 1) Properly trained rehabilitation services personnel to assist applicants from initial contact through completion of work and loan services.
- 2) Instituting a Temporary Housing Program to house families whose home is under construction through the Rehabilitation Program when possible.

A variety of funding sources help finance the OOHR program. These sources are as follow: Housing & Urban Development (HUD), Community Development Block Grant (CDBG), State Housing Fund (SHF) is a combination of HOME Investment Partnerships Program ("HOME") funds and State Housing Trust Fund ("HTF"), and other grants. 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

Direct Payment Loans (DPL) – Loans are made 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 rates can be higher and terms can be shorter. No loan amount can exceed the maximum amount as determined by HUD. An execution of a Deed secures all loans with flexible underwriting criteria.

Conditional Deferred Payment Loans (CDPL) - A CDPL is a forgivable, non-interest bearing loan secured by a lien and promissory note. The note shall be forgiven at a rate of ten (10%) percent per year for ten years, as long as the owner or a qualifying immediate family member who has inherited the property and maintained it free of code violations occupies the dwelling. The unforgiven balance of the loan shall become due and payable upon the sale, exchange, or transfer of the property. No loan amount can exceed the maximum amount as determined by HUD.

## HOME Funded

HOME CDPL'S have similar restrictions to CDBG CDPL's described earlier in this document. Maximum amounts for HOME CDPL's may vary, depending on the level of funding received from the Arizona Department of Housing. No homes assisted with funding received from the Arizona Department of Housing can exceed the maximum amount as determined by HUD. The funding level determines the terms of the note. The note shall be forgiven at a rate of: twenty percent (20%) per year for five (5) years for loans under \$15,000; ten (10%) percent per year for ten (10) years for loans between \$15,000 and \$40,000; and at a rate of six (6) and two-thirds (2/3) percent for fifteen (15) years for loans over \$40,000. Homeowners must occupy the dwelling or a qualifying immediate family member who has inherited the property, and maintained it free of code violations. The unforgiven balance of the loan shall become due and payable upon the sale, exchange, or transfer of the property. Eligibility is based upon a household income below 80% of median income set by HUD.

## OTHER Funds

Approved by Council to create a "Local Match" fund to secure HOME & other housing dollars that require a matching funds. The Fund may be used to carry out activities for housing purposes that are otherwise not eligible for reimbursement by HUD and ADOH guidelines.

\*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

The property to be rehabilitated must be located in the Corporate Casa Grande City limits.

The program must assist families at very low, low, and moderate income levels.

The property must be owner-occupied. If it is a newly purchased property, the homeowner must live in the house for at least one year. In the case of up to a four-family dwelling, one unit must be owner-occupied.

The home must be suitable for rehabilitation under the time and monetary constraints of the program.

In some cases, if income exceeds HUD Income Guidelines, the Community Development 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.

The program will assist any eligible person, elderly, handicapped individuals, single head of household, and families with children, within the designated area regardless of race, color, national origin, religion, sex, disability, familial status, etc.

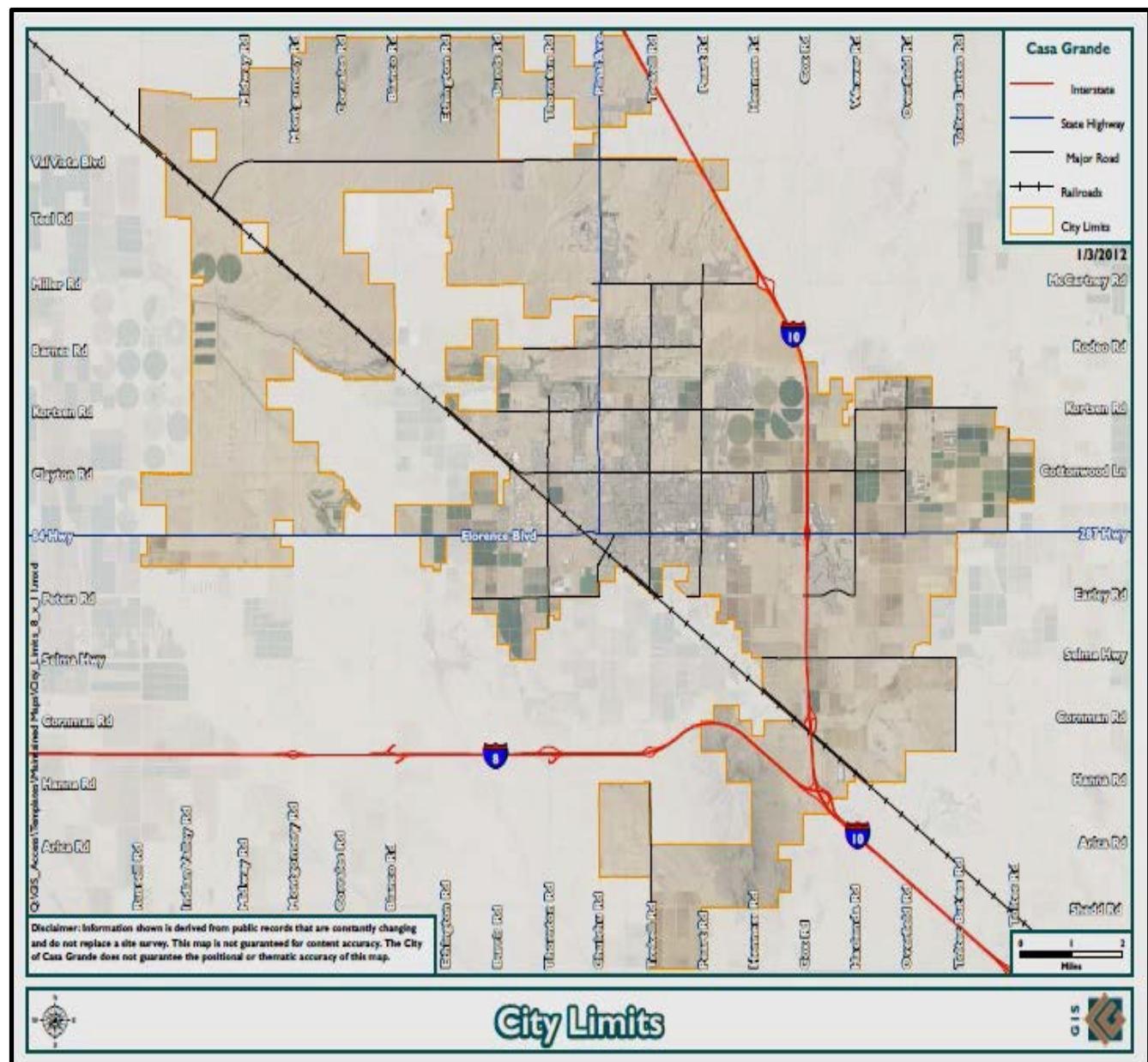
Eligibility for loans, grants, DPL's, etc., is as follows:

**CDBG:** Grant, Direct Payment Loans (DPL), Conditional Deferred Payment Loans, (CDPL) - up to 80% of area median income

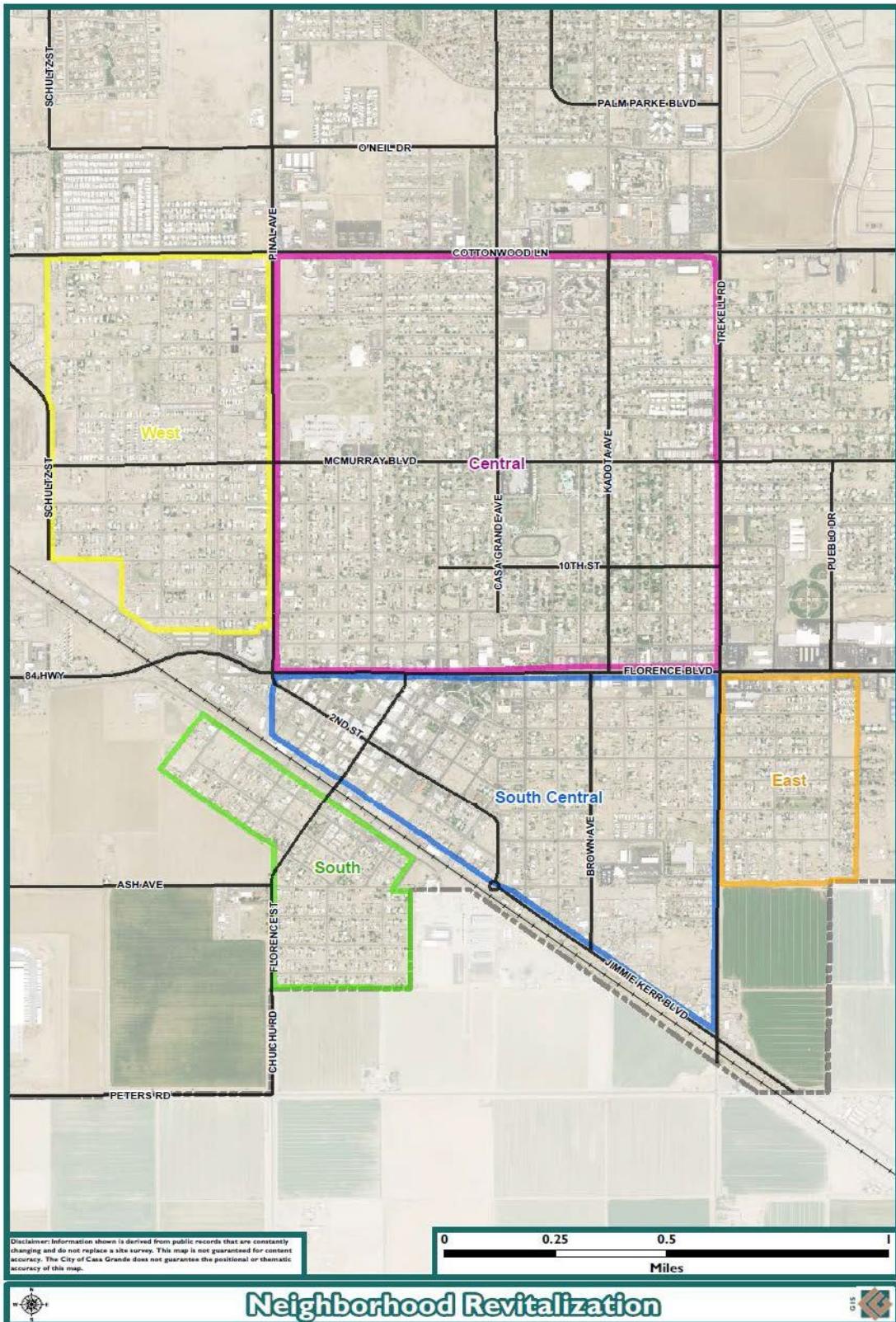
**HOME:** CDPL - up to 80% of area median income

## 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 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 Housing and Urban Development and Arizona Department of Housing funds, the property value after rehabilitation may not exceed 95% of the median purchase price for the area based on the FHA single family mortgage program data and other nation-wide sales data, as published by HUD each year.

After-rehabilitation value must be established prior to any work being performed. One or more methods can help establish the after-rehabilitation value:

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. (An example is a Real Estate Broker's price opinion with supporting comparable property values, and sales or property values per tax records, or by using comparable sale prices from Zillow.com; Realtor.com; Homes.com/home-prices;

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.

## 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 Housing 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 requirement/recommendation measures, energy conservation measures, and abatement of hazardous materials (i.e. lead-based paint) as prescribed by HUD or State adopted HUD Lead-Based Paint Regulations. Information and/or brochures on Lead-Based Paint Regulations are available at the Community Development 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/City adopted IECC Codes.
- ✓ 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.

**THE FOLLOWING EXAMPLES OF WORK CANNOT BE CONSIDERED PART OF REHABILITATION:**

- 1) Items that exceed the quality of products; i.e. upgraded carpet/tile.
- 2) Luxury items not considered a necessity, i.e. fireplaces, swimming pools, 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 Applicants**

The Owner-Occupied Housing Rehabilitation (OOHR) Program in Casa Grande was founded on the premise of helping those who want help. Thus, participation in the program is voluntary. The Community Development 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 used such as the following: Advertisement in the local newspaper, application and program flyers in both English and Spanish, flyer distribution, and a brief notice of the program is inserted in the City utility bill, all of which are handicap accessibility accommodations. The Division also coordinates with the City's Public Information Office to post program services on the website and local cable channel. The Community Development Division also has a network for referrals. Referrals are from 1) local social services organizations, 2) the Building Division, and 3) Code Enforcement Officers.

The rehabilitation staff whenever possible on an on-going basis do all promotional materials and other marketing tasks. Some tasks may have to be contracted out if they require professional printing services or workload 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 Division with the information necessary to assess existing programs and services, and implement new ones if necessary to achieve desired goals.

The Community Development 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 Community Development Manager or his/her designee is also responsible for the translation and complete review for accuracy and clarity of the contents of any marketing materials. All marketing materials will include the fair housing and non-discrimination clause.

### **Marketing to Contractors**

The OOHR Program follows the procedures for procurement and contracting as directed by the City of Casa Grande and Arizona State Department of Housing.

It is standard procedure to advertise for rehabilitation bids in the local newspaper (Casa Grande Dispatch) and on the City's Official Website.

The Community Development Division also keeps a list of qualified licensed and bonded contractors. Staff notifies contractors either by e-mail, telephone or in person of any jobs that may be out to bid. 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. All contractors are required to have a current Registrar of Contractors license and must register in Systems for Award Management (SAMS). Follow the link to register <https://www.sam.gov>.

### **Marketing to General Public**

The City of Casa Grande makes its initial effort to promote program awareness of the OOHR program by flyers, local cable channel, website, community meetings, and other social service program.

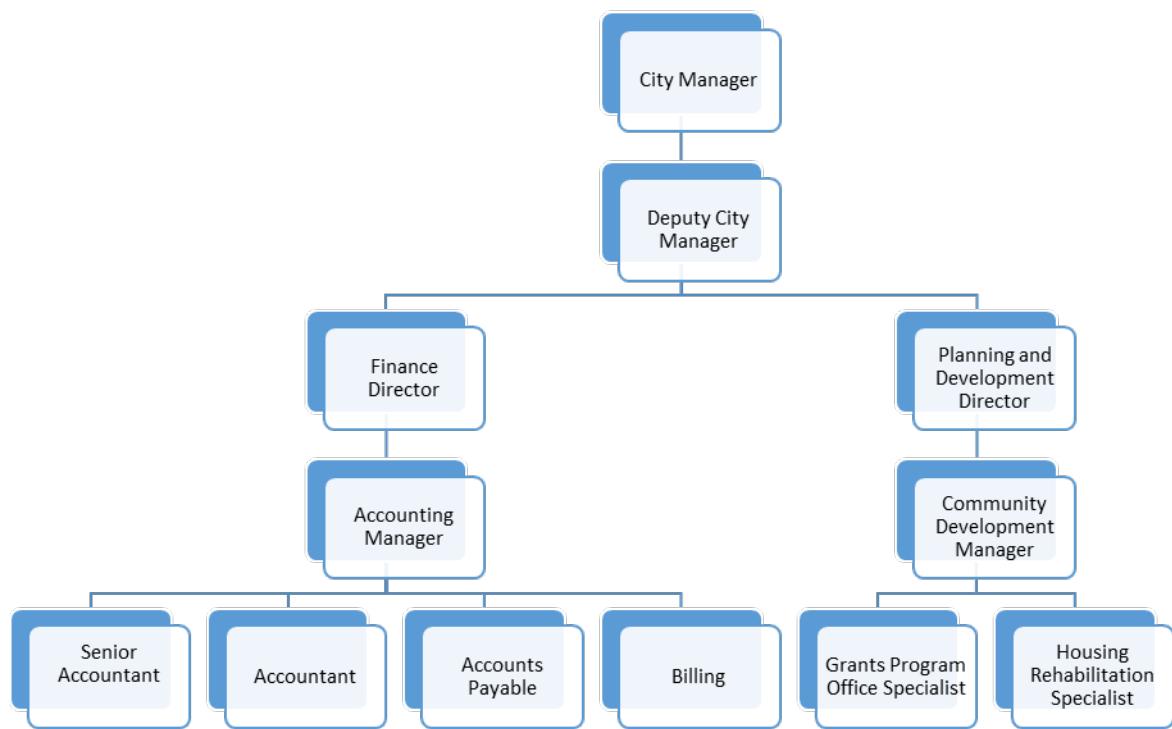
### **Staffing/Administrative Structure**

All work related to the Administration of the program is done in-house and Rehabilitation Services for the program are done either in-house or by a hired consultant.

The Community Development Manager is responsible for all Council presentations and requests, which pertain to the use of grant funds. The City Staff is responsible for writing

all grant applications for submission to the funding agencies. The Community Development Manager is also responsible for all correspondence with all funding agencies (Office of Housing and Urban Development (HUD) and the Department of Housing (ADOH), and other agencies. Staff will correspond and coordinate with the Finance department who is responsible for the day-to-day financial record tracking of program income, payables and receivables, and final audit. All personnel involved in the financial and technical implementation of the Program are skilled in their particular field of expertise. 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.

The following diagram illustrates the relationship between the various staff.



## Application Process

The Community Development Division (Division) staff assists the applicant in the preparation and review of the application to ensure accuracy of information. The applicant will sign a Privacy Act Statement giving the Community Development Staff permission to verify all information in the application. Confidentiality will be ensured by keeping the information in locked office in the Division. The Community Development 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. Income may be in the form of 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.

Third party income verification should be used whenever necessary.

The Community Development Manager or her/his designee will also verify ownership by ordering a preliminary title report and review County Assessor's records. All persons occupying the house including permanent extended family, i.e. elderly parents, single adult children, grandchildren, are considered "family or household". (In the case of more than one family per unit, every effort is made to provide the non-owner with a home ownership opportunity through another program to decrease over-crowding.)

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

- ✓ Family - based on income and home ownership
- ✓ 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/disabled/families w/children, etc. The Community Development Manager is responsible for approval/disapproval of each application. This is normally done in person with a formal application and certifications within 2-3 weeks.

Additional qualifiers/conditions require that all property taxes and sewer and trash bills are paid and that a homeowner's insurance policy is in effect if possible.

An applicant is recertified if program eligibility has taken more than six (6) months prior to receiving housing service. Recertification includes income verification and any other types of income changes, homeowner's insurance verification, current mortgage statements, and any household changes.

The City also assists non-English speaking individuals when needed. The Application form can be downloaded from the City Website [at www.casagrandeaz.gov](http://www.casagrandeaz.gov), or can be picked up

in person, or an application can be mailed out. The Community Development Division office is handicap accessible.

The Wait List procedure includes all qualified applicants. Priority is given to the elderly, disabled, families with children, and others.

## Work Write Up

The Housing Rehabilitation Specialist prepares the work write-up. 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 to preserve the architectural features of a particular era. The finished product shall complement the surrounding area. Therefore, it is necessary 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 the 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 Community Development Manager is responsible for reviewing the accuracy of the work write-up and the homeowner will approve the final work write-up. The work write-up will call for items that meet code 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:

The plans will show the layout and dimensions of the house, i.e. bedroom #1, bedroom #2, kitchen, living, bath, etc.

The work write-up has detailed descriptions of the work involved, i.e. Bedroom #2 and specifies all work to be done, i.e.

*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)  
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 Community Development 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 regards to construction trades including but not limited to the 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 cost estimating software that 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 the scope of work and technical specifications as determined in the work write-up. The cost estimate will include all costs for materials and labor as well as costs for permits, clean up, overhead, and profit.

## Pre-Construction Process and 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 period between such steps.

For example:

- 1) Upon approval for the rehabilitation project to start, an appointment is scheduled with the homeowner for a detailed initial inspection.
- 2) Approximately 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.
- 3) Upon the homeowner's approval of specifications and plans, a bid will be advertised in the local newspaper and on the City of Casa Grande Website. Contractors on the City Vendors' List, "Bid Group", will receive the bid information via E-mail.
- 4) A contractor's "walk-through" is scheduled with the family to ensure availability. Contractors are required to attend the walk-through in order to participate in the bidding of a project.
- 5) Approximately two weeks after the 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.
- 6) A conference is held with the homeowner prior to the bid award followed by owner's acceptance of the bid.

## Procurement Process

The Community Development Manager or his/her designee keeps an updated list of qualified (licensed/bonded, 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.

New contractors are invited to be included on the list. Contractor requirements will be provided by the Community Development Division. 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 caseload. The sealed bid process will remain the same for the individual houses.

**Bidding Process (“Procedures for Contractors” available at the Community Development Division upon request)**

**Request for Bids:** Notice of Requests for Bids is advertised in the legal notice section of the Casa Grande Dispatch, indicating the date of bid opening. Notice is also advertised on the City Website and an e-mail is sent to those contractors on the “vendors list”.

**Pre-Bid Conference/Walk-Through:** The Housing Rehabilitation Specialist will arrange a date and time to conduct a walk-through of the house with all interested contractors to discuss all specifications and plans. Contractor's attendance at the pre-bid conference/walk through is required in order to participate in the bid.

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

**Notification of Bid:** The Community Development Division staff will send all contractors who have submitted a bid a letter to inform them of the bid awards. The letter will include protest procedures/grievance procedures.

**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 three (3) days prior to bid opening date by the Community Development Division.

**Codes and Standard Specifications:** The Contractor is responsible for knowledge of the City's adopted building codes and all applicable HUD, State and Housing Standard Specifications. All work must comply with these standards. The work specifications may, on occasion, exceed the minimum requirements.

## Bid Awards

The homeowner awards bids; however, Community Development Staff will recommend the award be made to the lowest qualified bidder. The Community Development Manager reserves the right to reject any and or all bids for reasons including but not limited to the following:

The Contractor is not licensed or has had his license suspended or has been barred from projects involving certain funding sources (i.e. HUD).

The Contractor is not able to proceed with the project in a timely manner due to other commitments.

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.

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.

The Contractor has failed to provide lien waivers as required or has had mechanic's liens filed by suppliers or subcontractors on past projects.

Bidding forms are improperly completed or incomplete.

All bids submitted are more than 15% above the Housing Rehabilitation Specialist's cost estimate.

Owner Bid Rejection: The Owner may reject any or all bids without cause subject to the following provisions:

The Owner may choose to reject the lowest qualified bid recommended by the Community Development Manager and select a Contractor other than the lowest bidder if the Owner is willing to provide payment from his/her own funds in an amount equal to the difference between the low bid and the selected bid.

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

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:

- 1) Honoring the original bid.

- 2) 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 Community Development Manager reserves the right, with the owner's concurrence, to negotiate any bid.

### Work by Homeowner

Work by the homeowners **is not allowed** for the HOME and CDBG rehabilitation program. The intent of this restriction is to avoid any question or misinterpretations of warranty items and workmanship guarantee 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. The Community Development Manager must approve these exceptions.

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 Community Development Division such as the following:

- 1) Work Write-up,
- 2) Specifications,
- 3) Warranties, Provisions, Conditions and Restrictions for both parties.

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

- 1) Application,
- 2) Privacy Act Statement,
- 3) Characteristics of Property,
- 4) Bid Proposal or Package,
- 5) Bid Advertisement,
- 6) Bid Opening Form,
- 7) Contract,

- 8) Notice to Proceed,
- 9) State-Adopted HUD Lead-Based Paint Regulations Form and Brochure,
- 10) Environmental Review/ Appendix A,
- 11) Truth in Lending Disclosure Statement,
- 12) Consent to Deed,
- 13) Deed of Trust,
- 14) Promissory Note,
- 15) Notice of Opportunity to Rescind Transaction,
- 16) Public Body Certification as to Compliance with Truth in Lending Act,
- 17) Authorization to Disburse Funds,
- 18) Inspection and Disbursement Orders,
- 19) Lien Waivers,
- 20) Certificate of Release and Final Payment Statement,
- 21) Certificate of Owner's Acceptance,
- 22) Certification of Final Inspection,
- 23) Disposition of Funds,
- 24) Rules and Conditions for Temporary Housing,
- 25) 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 funding sources may require for documentation, i.e. a project funded by CDBG, HOME, and local grants will also contain an application, budget form, promissory note, etc., as applicable.

A checklist 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 checklist 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 the 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 (if possible/available) is provided if it is determined by the Community Development 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).

Staff will ensure that all temporary housing units are in "move-in" condition; both staff and Rehabilitation participant(s) following a checklist during a "walk-through" of the unit prior to occupancy will verify this. 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 Rehabilitation 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

Lead-based paint must be tested if the home was constructed on or after January 1, 1978. If lead-based paint is detected, it must be removed, interim controlled or abated and clearance must be achieved. Certified companies will be hired by the Community Development Division to test and abate the lead before construction projects begin.

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 on-site inspections to ensure and monitor progress, identify any problems that may need to be addressed through a change order, ensure 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 Community Development Manager. This order reflects the percentage of work completed to date, amount of draw, and contract balance.

A licensed BPI inspector will be hired by the Community Development Division to conduct the initial energy and final audits of a housing project. This is required under the weatherization standards attached to the HRG particularly when ADOH funds are used in the project. Contractors must correct any weatherization findings in order to meet the federal and state requirements.

### Change Orders

A change order may be requested by the contractor for circumstances, which were not included in the original work write-up. Such requests from change orders are due to unforeseen safety or code violations. The contractor must have written approval from the Housing Rehabilitation Specialist before undertaking any change order work. The Community Development Manager must approve all change orders. City Staff will inform the homeowner of any changes to the contract or other problems encountered during the rehabilitation work and sign the change order form. Homeowners must not direct or engage the Contractor to alter or add any work items outside of the approved Work Write Up or Work Specification. All changes to the specifications must go through the City's Community Development Division.

### Payments and Warranties

The Inspection and Disbursement Order and a Contractor's invoice, when signed by the contractor, constitute a Request for Draw.

The Contractor's Invoice must itemize the work completed. 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 Community Development Manager will determine the amount of the draw to ensure a minimum of ten percent retention and approve payment.

The Community Development staff will process a Purchase Order (PO), approved by the Community Development Manager or Director in the financial system, and will submit all Requests to the Finance Department.

Although time for payment of an invoice may be as much as 30-days from the date of the request (see below), the Finance Department will typically process and issue a check for the requested amount one week following the submission of the PO and required documentation to the Finance Department. When the check is available, the staff will advise the Contractor. The contractor will sign and date the check stub and a photocopy of the check will be kept for file documentation. The check will be released to the contractor upon receipt of all necessary lien waivers and any other required documents. Due to vendor and client account set-ups and loan approval periods, the First Draw Request may be delayed more than the typical ten-day payment period.

**Progress Payment Schedule Example (but may vary depending on the individual project):**

20% upon completion of at least 30% of contracted work.

40% upon completion of at least 50% of contracted work.

60% upon completion of at least 70% of contracted work.

80% upon completion of at least 90% of contracted work.

Payments shall be paid to the Contractor within twenty (30) days after: The work is completed and passes required inspections; and the Community Development Division Office receives the contractor's invoice and release of liens or claims for liens by subcontractors, laborers, and material suppliers for all work or installed materials.

If progress payments are made as the work progresses, these payments shall not exceed 80% of the value of the work satisfactorily completed.

Balance of contract payments and change order payments, shall be disbursed upon: Issuance of Certification of Final Inspection by the Housing Rehabilitation Specialist, Receipt of Certificate of Release from Contractor; receipt that all applicable state and local taxes have been paid; and all warranties and manuals have been provided.

All labor and materials furnished by the contractor are covered by a one (1) year warranty. Homeowners sign a Certificate of Owner's Acceptance of Work and Authorization of final payment.

**Case Management and Tracking**

The Community Development Division staff are responsible for reporting procedures and for the maintenance of all case files. In addition to the Housing Rehabilitation Specialist, City Inspectors, the Community Development staff also does site visits to check on progress and to ensure the Scope of Work is followed. Any concerns are shared with the Housing Rehabilitation Specialist, contractor, and homeowner when warranted.

Community Development Manager or his/her designee reports progress to funding sources and City Administration as requested.

The Community Development Division staff prepares the performance reports for approval by the Manager and submits the reports to the Arizona Department of Housing. The Manager inputs all accomplishments in IDIS for HUD including the demographic compositions of beneficiaries.

**Complaints and Appeals**

The applicant(s) and contractors are informed about the complaints and appeals process. Each party will need to sign the Grievance Procedure and will be provided a copy. In the event of a disagreement between the homeowner and contractor with respect to rehabilitation work, the Housing Rehabilitation Specialist, will mediate all disputes. If this arbitration is unsatisfactory, either party may make an appeal to the Community Development Manager for determination. This appeal process does not preclude the

property owner and/or contractor from appealing to other parties that they deem necessary, i.e., City Manager, HUD, etc.

### **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 facts giving rise to the potential conflict and fully and frankly discusses the matter with the appropriate supervisor and the Planning and Development Director to determine whether a conflict exists. The Planning and Development 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 Development 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 and Procedures

Direct Payment Loans (DPL): The DPL is customized to applicants' needs/repayment ability. The flexible underwriting criteria used by the staff 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 first position not only for repayment ability but also to place the rehabilitation 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): The CDPL is also customized to applicants' needs. 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 to the program. The Community Development 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, rate, and term of deferral.

The loan documentation (both deferred and direct) will be submitted to the Finance Department to be entered in the financial system for billing. The documentation will include the client's name, address, phone number, terms of the loan including amount, type of loan, length of loan, and start date. The Finance Department is responsible for all loan services including monthly billing, collections, and crediting payments to individual accounts. 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 Community Development Division if

any loans have been paid off. The Community Development staff will prepare the necessary lien releases/Satisfactions of Mortgage for the City Manager's signature and forward to County Recorder's Office for recordation. The City Clerk's office keeps copies of recorded releases. The Community Development Division staff will mail the original copy of the Satisfaction of Mortgage or Lien Release to the homeowner.

Delinquencies: The Finance Department will issue monthly status of accounts to the Community Development Division. Community Development Staff may schedule a meeting with any homeowners that are delinquent in their payments. 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 Community Development 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. The City will not enforce conventional financial interest over the provision of Affordable Housing in situations where the borrower has a genuine identified problem or need. If the findings disclose that the family no longer needs/occupies the house and/or 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 Rehabilitation Grant. The Finance Department provides a monthly PI Revenue report to the Community Development Staff, and amounts received are entered in the Integrated Disbursement Information System (IDIS) of the Office of Housing and Urban Development. 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 as requested or required.

### Homeowner's Insurance & Property Taxes

Home 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 interests 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). Community Development Staff may 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 Community Development staff will investigate the reasons for non-payment and notify the Community Development Manager if the family is unable to pay the required premium before cancellation date. The Community Development Manager may ensure that a homeowner's policy is in effect to protect the financial interest by providing payment of premiums due. These premiums may be added to the outstanding balance of the loan and all terms and conditions for repayment will apply.

Property Taxes: The County database, including the Treasurer's Property Tax records are readily accessible through the City's Information Technology System. Community Development Staff may check all properties with outstanding direct or deferred loans. This process would take place bi-annually in November and in May of the following year when the first and second halves of taxes are due, respectively. In the case of non-payment, Community Development Staff may follow the same process as non-payment of insurance as described above. In the event that the amount of past due property taxes greatly exceeds the balance of the outstanding loan and only after family's situation/needs have been carefully considered, exceptions to ensuring payment may be recommended by the Community Development Manager. 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.

## Subordination/Refinancing

### Before Rehabilitation

All loans are secured with properly recorded Deed(s) of Trust or other security instrument(s). The Community Development 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 a 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 existing debt, cash-out, etc.) are submitted to the Community Development Manager for review. After review, the Community Development 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). The Community Development 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 a 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 Deeds 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.