

5.5 HOUSING REHABILITATION PROGRAM POLICY

SUBJECT: Housing Rehabilitation Program Policy

EFFECTIVE DATE: March 20, 2015

Amended Date: August 8, 2014

Amended Date: March 24, 2011

Amended Date: April 8, 2011

Amended Date: November 14, 2011

Amended Date: March 6, 2012

Amended Date: April 13, 2012

Amended Date: September 27, 2012

Amended Date: January 10, 2013

PURPOSE OF POLICIES AND PROCEDURES: To document program policy guidelines and procedures used by the Affordable Housing Services (AHS) staff in the fulfillment of residential rehabilitation activities offered by Hillsborough County (County).

A. GENERAL PROGRAM POLICIES:

1. *Objectives/Goals of Assistance:* The Housing Rehabilitation Program financially assists income-eligible, owner-occupied household properties to:

- Bring properties up to minimum housing codes.
- Eliminate incipient housing code violations.
- Eliminate conditions having a demonstrative blighting influence.
- Adapt the residence to meet accessibility needs of a handicapped family member.
- Alleviate an overcrowded situation.
- Eliminate emergency housing conditions that present a serious threat to the health and safety of its residents (**Eligible for CDBG or SHIP funding only**)
- Address other issues meeting program funding criteria within the intent and policy of the program.

2. *Funding Sources:* The County will use the funding sources listed below to conduct all activities associated with the Rehabilitation Program. The rules and regulations associated with each program will govern the use of the funds.

- Community Development Block Grant (CDBG) – 24 CFR Part 570
- HOME Investment Partnerships (HOME) – 24 CFR Part 92
- State Housing Initiatives Partnership (SHIP) – Sections 420.9071 - 420.9079 F.S., Chapter 67-37 F.A.C.
- Private Financing (i.e., Lenders, Mortgage Brokers)

3. *Priority of Assistance:* Assistance will be on first-come, first-served, first eligible basis while funds remain available. When the amount of funds available for assistance falls below \$200,000, or if an expenditure deadline is approaching and the rules and regulations of a

funding source require specific percentages of total expenditures are achieved in a particular household income grouping, the Director of the Affordable Housing Services (AHS) may direct a Subrecipient to give priority to very-low and low income households and limit the amount of assistance provided to higher income households. Assistance provided to homeowner households will be based on the maximum amount allowable by program guidelines.

4. *Client Responsibility:* Homeowner households are responsible for working in good faith and in a responsible, truthful, and timely manner with the AHS contracted provider. Reasonable deadlines shall be established at each step of the process for submittal of information by the homeowner. After two written notifications, any refusal or failure to provide information, or any established pattern of untimely submittal of information by the homeowner, shall result in closure of the case file.
5. *Ineligible Activities:* Homeowner households shall not receive rehabilitation assistance from the County for the purpose of completing non-essential repairs and improvements including, but not limited to: water purification systems, water softeners, solar heating systems, security systems, intercom systems, central vacuum systems, timing systems, spas, swimming pools, purely decorative items, appliances that are not affixed to residence, recreational equipment, sprinkler systems or any other items that are beyond meeting minimum building code requirements.
6. *Work Already Completed:* Funds shall not be used to reimburse the homeowner households and/or a contractor for repairs already completed.
7. *Code Requirements:* After rehabilitation, the property shall meet the code or standard requirement designated by the source of funding. If HOME funds are used, the home must be brought up to the Hillsborough County Property Maintenance Code and Minimum Housing Quality Standards.
8. *Other Federal Requirements:* The County will comply with all applicable "Other Federal Requirements" to include but not be limited to Fair Housing and Equal Opportunity, Equal Opportunity Employment, Section 3 Economic Opportunity, Minority/Women Employment, Conflict of Interest, Debarred Contractors, Environmental Reviews, Flood Insurance, Lead-Based Paint, and Relocation.

B. SPECIFIC REQUIREMENTS FOR APPLICANT, PROPERTY AND FINANCING:

1. Income Eligibility for Household:

- a. Homeowner households must meet all income and property eligibility requirements. Homeowner household's income eligibility is based on the current applicable definitions of Area Median Income (AMI) adjusted for family size published by the U.S. Department

of Housing and Urban Development (HUD) and Florida Housing Finance Corporation, as distributed annually.

- b. **Homeowner household's Gross Annual Anticipated Income shall be calculated using the format described in the HUD Handbook 4350.3 Rev. 1. Participant's income will be determined based on the HUD income guidelines.**
 - c. Homeowner household's income eligibility shall be determined based on total family Gross Annual Anticipated Income according to the family size in accordance with the SHIP or US Department of Housing and Urban Development (HUD) household income limits as documented for the year the household's income is determined.
 - d. In those cases utilizing SHIP funding, the homeowner household's income and assets must be verified and certified using the *FHFC Income Certification Form* prior to submission for final County approval. The signatures on the Income Certification must occur after verification of homeowner household's income and asset documentation has been obtained and before any award letter is issued. The homeowner must sign and date the FHFC Income Certification Form. The date that the SHIP Administrator, or their Representative, signs the FHFC Income Certification Form must be on the same day as the homeowner or after, but not before the homeowner signs and must be after receipt of all verification of employment and assets.
 - e. Homeowner households cannot have liquid assets exceeding \$20,000 except for amounts invested in financial instruments exclusively designated as a retirement account such as an IRA or 401K. Additionally, the homeowner cannot own any other real estate or be a party to a mortgage that is not related to the primary residence.
 - f. Homeowner households will be required to provide receipts or other forms of evidence to substantiate unexplained deposits that may total up to over \$1,000. If no receipts or other forms of evidence are provided to substantiate unexplained deposits, then the unexplained deposits will be treated as income when determining the homeowner household eligibility for assistance.
 - g. Homeowner households must provide at least one year's verification of income and expenditures; two years is preferred.
 - h. Income eligibility of homeowner households shall be established at the time of application.
2. *Credit:*
- a. Homeowners must be current on their existing mortgage, if one exists. Any occurrences of 30-day late payments within the previous 12 months as reported on a commercial Credit Report will be evaluated on a case-by-case basis and may serve as the basis for denial from the Director of the Affordable Housing Services Department. Applicants shall be denied assistance with any occurrence of any late payment past 60 days within the previous 12 months.

- b. If a homeowner, whose name appears on the first mortgage loan and note, has had a recent bankruptcy or currently has substantial debt and/or poor credit history, the homeowner may be denied rehabilitation assistance. Applicants must be at least two (2) years past the Discharge Date of any bankruptcy, if applicable.
- c. Homeowners, whose names appear on the first mortgage loan and note, cannot have any outstanding judgments or liens, regardless of whether the applicant would be receiving a loan or grant from this program.
- d. Homeowners must be current on their property taxes.

3. *Tenancy:*

Eligible homeowner must have owned their households for at least two years prior to the date of application.

4. *Policy for Additional Assistance for Rehabilitation:*

- a. During the first year after project completion of a HOME assisted property, an eligible homeowner household may receive additional HOME assistance for rehabilitation, if needed. After the first year, no additional HOME funds may be provided to a HOME assisted project during the relevant period of affordability for rehabilitation except when certain conditions exist as defined in section 10 that follows. Eligible homeowners may receive additional assistance for rehabilitation using funding sources other than HOME after 5 years have passed since that homeowner initially received rehabilitation assistance. This condition will not be applied to rehabilitation work performed under this program that was poor in nature and requires additional assistance to get the job done correctly.
- b. One Time-Emergency Rehabilitation Assistance in an amount not to exceed \$3,500 is available for income eligible homeowners who have eligible properties containing **emergency housing conditions** (emergency housing conditions are conditions that present a serious threat to the health and safety of its residents). This assistance is available at any time after initial assistance was provided in accordance with the policies defined in section 5 (b) and 12 (c) that follows.

5. *Property Eligibility*

- a. Eligible property must be:
 - a-1. A single-family residence, town home or condominium.
 - a-2. Must be needing rehabilitation and be the principal/homestead residence of the applicant for at least two years prior to the date of the application.
 - a-3. Be publicly recorded as a homestead property.

- a-4. Must be owned by fee simple title or long-term leasehold (99 year minimum), or life estate. Neither the owner nor the property can have any restrictions, encumbrances, or judgments that would restrict the marketable nature of the ownership interest.
 - a-5. Beyond a first mortgage, the property must have no liens or second mortgages or other encumbrances. The County will not take third position with any rehabilitation loan.
 - a-6. Located within the unincorporated boundaries of Hillsborough County or within the municipal boundaries of the cities of Temple Terrace or Plant City.
 - a-7. Eligible for pulling a building permit for the required repairs.
 - a-8. Mobile homes are ineligible.
- b. Properties having emergency housing conditions (conditions that present a serious threat to the health and safety of its residents) are eligible for rehabilitation assistance. Funding shall not exceed \$3,500 and shall be provided to income eligible homeowners of eligible homes in the form of a grant. **(Only CDBG or SHIP funding may be used to provide one-time emergency assistance to income eligible homeowner households.)**

6. *Period of Affordability:*

The length of time the homeowner must live in their dwelling to fulfill the affordability requirements will vary in length and shall correspond to the amount of assistance received. The time lengths required are as follows:

Assistance Received:	Affordability Periods:
<\$15,000	5 years
\$15,000 up to \$40,000	10 years
>\$40,000	15 years

The Period of Affordability is applicable to all funding sources used for assistance provided to eligible homeowners in the form of a loan.

The County will forgive an equal portion of the first time home buyer loan for each full year the homeowner maintains their residence during the period of affordability. The portion of the loan forgiven shall correspond to the length of time the homeowner occupies the home after the loan is made in relation to the period of affordability (that is, if the affordability period for the loan is 5 years, for every full year the homeowner lives in the home, 1/5th or 20% of the loan is forgiven; accordingly, if the affordability period for the loan is 10 years, for every full year the homeowner lives in the home, 1/10th or 10% of the loan is forgiven; if the affordability period for the loan is 15 years, for every year the homeowner lives in the home, 1/15th or 6.67% of the loan is forgiven); and finally, if the affordability period for the loan is 20 years, for every full year the homeowner lives in the home, 1/20th or 5% of the loan is forgiven. If the property is sold prior to the end of the period of affordability, the amount subject to recapture will be based on the time the homeowner has occupied the home

and the unamortized amount of the loan. **The provision in this policy to forgive portions of the first time home buyer loans over the period of affordability is retroactively applicable to all open first time home buyer loans made prior to the effective date of this policy that have no changes in ownership and all first time home buyer loans made after the effective date of this policy.**

7. *Loan Forgiveness Terms Due to Hardship Circumstances:*

- a. As a result of a hardship circumstance, if the property is sold and **insufficient equity exists from the sale** of the property to satisfy the County's loan, the County will be limited to recapturing only that which is available from net proceeds regardless of the funding sources used in the provision of first time home buyer assistance. Qualification as a hardship circumstance is at the discretion of AHS, and may include but is not limited to **a judicial sale/foreclosure, deed in lieu to a superior mortgagee or a short sale**. Documentation to support the hardship circumstance (court order/judgment, lender notification/request, final HUD-1) will be required in order to use this provision in all situations.

If a first time home buyer loan was modified to include delinquent property tax payments, delinquent mortgage payments, or any other payment made by the County on the behalf of the homeowner to protect the County's investment made in that homeowner's property to avoid a tax foreclosure sale or other foreclosure then, this provision limiting the County to only recapturing that which is available from net proceeds is not applicable to that amount added.

The distribution of net proceeds will first be applied to pay off the first position mortgage; then applied to pay off the homebuyer's initial investment costs and any improvements costs to the property; then the County's second mortgage for DPA assistance provided; and finally, provide the homeowner with any equity he/she has appreciated/earned in the property. The County will not share in any excess proceeds. **The provision in this policy limiting the County to only recapturing that which is available from net proceeds in hardship circumstances is retroactively applicable to all open first time home buyer loans made prior to the effective date of this policy that have no changes in ownership and all first time home buyer loans made after the effective date of this policy.**

- b. If the property is sold and **sufficient equity exists from the sale** of the property to satisfy the loan, the **County will use the recapture option and loan forgiveness terms described above and will not share in any excess proceeds** (that is, excess proceeds will be paid to the homeowner). The amount subject to recapture will be limited to what is available from net proceeds.
- c. The recaptured funds may be used for any HOME eligible activity without the requirement of matching funds. Regarding recaptured SHIP, CDBG and NSP funds, they may be used for any eligible activity allowed by their original source of funding.

8. *After Rehabilitation Home Value:*

The “After-Rehab” value of the housing assisted with HOME funds must be below the current maximum allowable value as established by HUD 24 CFR 92.254 (a)(2)(iii) for the HOME program. The after-rehabilitation value will be established by either (1) an appraisal conducted by a licensed fee appraiser or by a staff appraiser, or (2) Zillow website that lists comparable after-rehab home values in that neighborhood. The project file must document the appraised value and the appraisal approach used.

9. *Maximum Subsidy Limit for Rehabilitation Projects:*

- a. The maximum HOME subsidy limit for the rehabilitation of a homeowner housing unit assisted using HOME funds must be established for the HOME program found at 24 CFR 92.250. In determining the amount of rehabilitation assistance that can be loaned to a homeowner, some “**project related soft costs**” may not be included as part of the loan because these costs may be “**granted**” to the homeowner’s project. Project related soft costs include but are not limited to lead based paint hazard testing costs, environmental review costs, title policy costs, impact fees and document recording costs. Project related soft costs are eligible costs that may be charged to a homeowner’s project. In some instances these soft costs combined with the hard construction costs may be over and above the total maximum amount that may be loaned to that homeowner. In these circumstances these soft costs will be granted. Additionally, fees paid to subrecipients to administer the individual rehabilitation projects for the County will be granted. In no event shall the total assistance provided, whether through the provision of a loan, grant or combination thereof, exceed the established HOME or SHIP maximum subsidy limits as applicable.

Total costs for homeowner rehabilitation construction costs undertaken by subrecipient agencies for the AHS Department shall not exceed \$45,000. The maximum total costs for a barrier removal only homeowner rehabilitation project shall not exceed \$20,000.

- b. In no event shall the total assistance provided, whether through the provision of a loan, grant or combination thereof, exceed the established HOME or SHIP maximum subsidy limits as applicable.

10. *Prohibition in Using HOME Funding to Finance Additional Rehabilitation After First Year:*

During the first year after project completion, an applicant may receive additional assistance for rehabilitation. After the first year, no additional HOME funds may be provided to a HOME assisted project during the relevant period of affordability for rehabilitation except for:

- Rental assistance to families may be renewed;
- Rental assistance may be provided to families that will occupy housing previously assisted with HOME funds;
- A homebuyer may be assisted with HOME funds to acquire a unit that was previously assisted with HOME funds.

11. *Specific Underwriting Criteria for Rehabilitation Loans:*

- a. All rehabilitation activities must meet the current underwriting requirements of the program.
- b. The County's Rehabilitation Program will abide by all applicable state and federal Fair Housing laws.
- c. This Underwriting Criteria may be modified periodically. When those changes occur, they will be for any new applications and/or contracts after the change. To be grandfathered in under any prior criteria, a homeowner must have an executed work contract to repair the home.
- d. Any rehabilitation work performed will be evaluated with a combined loan-to-value (CLTV) of 115% and will be processed as a deferred payment loan.
- e. Following rehabilitation or replacement housing assistance, homeowner households shall meet a back end ratio that does not exceed 60%.
- f. Homeowner households with a back end ratio projected above 50% shall be required to enroll in and provide written proof of credit counseling prior to loan closing. Credit counseling may be provided by the sub-recipient if they are qualified to provide such counseling.
- g. If a first mortgage exists on the property, the County **may** provide funds, up to a maximum of the appraised or assessed land value, but not to exceed \$25,000, to satisfy the first mortgage so that the County's rehabilitation loan will be in a first position. This type of activity will only be done on cases that have extenuating circumstances and will be reviewed and approved on a case-by-case basis by the Housing Programs Manager and Director of the Affordable Housing Services Department.

- h. The maximum Combined Loan-to-Value (CLTV) that the County will allow on an existing residence is 115%. **The 115% CLTV maximum may be increased to 120% by the Director of the Affordable Housing Services Department if the median property values of all properties in the area have dropped by more than 20% during the immediate previous two year period as reported by Zillow.com.** Furthermore, in no instance shall the maximum HOME investment provided to a housing unit exceed the HOME maximum subsidy limit.
- i. Zillow.com evaluations shall be the basis for establishing the home's value before rehabilitation work starts on any property that will be assisted using HOME funds. The maximum will include all current loans and any proposed County rehabilitation or replacement loans. In rare instances, unforeseen conditions may cause initial estimates for rehabilitation in the work write-up and scope of work made prior to the commencement of work to increase during the completion of the work. If this condition were to occur, the homeowner's loan will be increased in amount sufficient to complete the needed repairs but not exceed the maximum HOME subsidy limits and not to cause the after rehabilitation value to exceed the 95 percent of the median purchase price for the area maximum property value as published by HUD. For any cases where the LTV is above 100%, the homeowner must sign an *Over Debt Affidavit* indicating that they are fully aware they will be in an over-debt situation on their home.

12. *Refinancing. For existing mortgages on property (HOME & SHIP)*

- a. Refinancing existing secured debt is an eligible cost if:
 - The housing is owner-occupied;
 - HOME funds are loaned for rehabilitation; and
 - Refinancing allows the borrower's overall housing costs to be reduced and the housing is made more affordable.
- b. The maximum amount of an existing mortgage to be refinanced using HOME funds cannot exceed the HOME maximum subsidy limit for the program with the cost of rehabilitation included.
- c. Over-debt situations may also be considered. For situations in which (1) the proposed amount of combined debt (new County loan and existing loan) on a home will exceed the current value of the home; (2) the current house value has fallen below the mortgage balance on the property; and (3) an emergency housing condition exists, then rehabilitation assistance may be provided to an eligible homeowner household for up to 115% of the current value of the house. A home inspection will be conducted to identify building code violations, health and safety issues, and/or barrier issues needing removal. Furthermore the inspection will be used to determine if funding the project will eliminate the emergency housing condition. If all these extenuating circumstances exist, and it is determined that funding the project **only** for the purpose of eliminating the emergency housing condition can be accomplished within the 115% CLTV limit, then rehabilitation

assistance may be provided. These cases will be evaluated on a case-by-case basis. The Sub-recipient will carefully review the case to see if it is financially feasible and rational to invest funds that will create this type of over-debt situation. **The recommendation to put a homeowner's household into this situation where the CLTV will be above 100% will be made by the Housing Programs Manager and final approval will be made by the Director of the Affordable Housing Services Department. If the County agrees to lend in this type of situation, the homeowner will be required to sign an *Over Debt Affidavit* attesting their full understanding of all the terms and conditions of entering into such a financial position. If the proposed funding does not bring the house up to compliance with the *Minimum Housing Quality Standard Codes*, the assistance, if approved, will be made in the form of a grant using CDBG or SHIP funds as provided in section B. 5 (b) of this policy.**

13. *Loan Terms:*

- a. Deferred payment loans will be available to homeowners for a term not to exceed 20 years. See section 6 on affordability terms.
- b. There shall be no prepayment penalty on any County Rehabilitation loan. Homeowners may pay off all or any portion of the outstanding principal balance at anytime.
- c. In the event of the homeowner's death, terms of the Mortgage and Note may be assigned or transferred only to an income eligible heir(s) of the property. If the income eligible heir(s) do not reside in the property, the loan would be considered in default and must be repaid in accordance with the "*Recapture Option and Loan Forgiveness Section*" described in section 7 of these policies. If the heirs sell, rent, refinance, or transfer title to the property, they will be required to pay-off any outstanding loan balance at the time of sale. All property must be the principal residence of the heir(s). At the option of the County, the loan may be renegotiated.

14. *Loan Subordination:*

Each request for subordination and/or refinancing of the County Housing Rehabilitation loan will be handled on a case-by-case basis and must follow the AHS Loan Subordination policy, as amended. **Subordination shall not be approved when the refinancing is requested for other than housing related matters.** Evidence must be provided by the homeowner in writing. **Subordination to a refinancing for more than the original amount plus closing costs will only be approved for financing additional housing rehabilitation.** If funds generated through the subordination are used for other than the above reasons, the County reserves the right to call in the existing loan due and require payment in full.

15. *Replacement Housing:*

- a. AHS does not provide replacement housing to homeowners from its Housing Rehabilitation Program. However, in rare instances, unforeseen conditions may cause initial estimates for rehabilitation in the work write-up and scope of work made prior to the commencement of work by a Subrecipient to increase during the completion of the work. If this condition were to occur and the Subrecipient determines it is more cost effective to cease rehabilitation work and substitute replacement housing activities prior to the completion of rehabilitation, replacement housing may be used if the Subrecipient absorbs the amount needed to complete the replacement housing that is above the maximum \$45,000 available to the homeowner in the form of a loan from the AHS Housing Rehabilitation Program.

16. *Room Additions:*

- a. Room additions may be constructed in cases of “overcrowding” per County or State Codes, for health and/or medical reasons, and to expand room(s) that may be considered currently non-functional due to their size and/or configuration.
- b. The **value of the HOME assisted property after rehabilitation** must not exceed the limits established at 24 CFR 92.254 (a)(2)(iii).

17. *Kitchen Appliances:*

- a. **As part of the rehabilitation scope of work, the County will replace stoves and refrigerators if the existing appliances are inoperable.** Allowances for refrigerators will be a maximum of \$900 and for stoves it will be a maximum of \$600 for electric and \$800 for gas. All appliances must be Energy Star rated.
- b. **Rehabilitation of a kitchen can include a builder-grade dishwasher and garbage disposal in cases when they are inoperable or do not currently exist.** In cases where either the dishwasher or garbage disposal is operable, they shall be reinstalled as a part of kitchen rehabilitation. Where they do not currently exist, a homeowner has the choice of adding a dishwasher and/or garbage disposal at the homeowner’s option. **Built-in microwave ovens may be designated as a replacement item for a range hood, at the client’s option, only in cases in which the range hood is inoperable.** All appliances must be Energy Star rated.

18. *Property Insurance Coverage and Flood Insurance Coverage:*

- a. **Homeowners are required to have property and, where applicable, flood insurance coverage as a qualification for the program.** If a homeowner, who is subsequently found not having the required property insurance **after** a rehabilitation loan closes and **after** any required notification period, then the loan will be declared to be in default and must be repaid.

- b. **For applicants at 50% or below (Very Low) AMI who have no insurance, current insurance is not required to qualify for the Rehabilitation Program. The Housing Rehabilitation Program “may” pay the first year’s premium with the requirements that the applicant will continue the appropriate insurance beyond the first year.**
- c. **Applicants above 50% AMI (Low and Moderate) are required to have property insurance and, where applicable, flood insurance coverage as a qualification for the program.** The Affordable Housing Director has the ability to review and make exceptions to this requirement on a case by case basis.
- d. Insurance coverage shall be for the value of the house or mobile home as determined by a certified appraisal if completed within the past twelve (12) months or the “Just Market Value” as determined by the Hillsborough County Property Appraiser.
- e. The County must be listed as a “Loss Payee” on the property insurance and flood insurance policies during the term of the loan.

19. *Conditions for Default of Loan:*

Where funds are used for rehabilitation assistance, the following requirements must be met or the loan will be declared to be in default with the terms for the loan:

- a. The rehabilitation loan will be declared to be in default and must be repaid if homeowner rents out, refinances, sells, or transfers the title of the house prior to the termination of the affordability requirement and/or if the home is no longer the primary/principal residence and time remains on the period of affordability that was established when the loan was made. The homeowner may refinance their first mortgage if they follow the AHS Loan Subordination Policy as amended and described in paragraph B. 14 above.
- b. Should there be only one homeowner who was provided assistance in the form of a loan and that homeowner becomes deceased, the loan will be declared to be in default and must be repaid if no income eligible heir takes possession of the home as their primary place of residency and time remains on the period of affordability established when the loan was made.

20. *Rehabilitation Work Specifications, Scope of Work Plans Cost Estimates and Property Inspections:*

The Subrecipient will prepare and/or review any specifications, plans, and estimates to insure that properties being rehabilitated are brought into compliance with the code requirements of that funding source. All persons performing inspections on properties must be licensed or certified by at least one of the following:

- Southern Building Code Congress International, Inc. or its successor (ICC) (Building or Housing Rehabilitation Inspector)

- State of Florida (Construction Contractor or Building Code Inspector)

Properties that are fifty (50) years and older are required to have a four-point inspection for the purposes of obtaining property insurance. Should this inspection be need in conjunction with obtaining a rehabilitation loan, the cost of this inspection shall be paid by the homeowner.

21. *Lead Based Paint:*

HUD requires that upon inspection of properties built prior to 1978, if cracking, scaling, peeling, chipping, or chalking paint is observed the following steps will be required:

- a. Visual Assessment - Inspections for deteriorated paint surfaces are required in properties constructed prior to 1978.
- b. Paint Stabilization – All deteriorated paint surfaces must undergo paint stabilization. This includes removal of all loose and scaling paint, and properly caulking, puttying, and wet sanding surfaces prior to installing the primer coat. All surfaces must receive one primer coat and one finish coat. All lead-based paint detected that is deemed unstable must be removed and disposed of per EPA guidelines.
- c. Safe Work Practices – Repairs should be done in a manner that prevents or minimizes the release of leaded dust, paint chips, and debris. Safe work practices include, but are not limited to the following:
 - c-1. Properly containing the work area by using heavy plastic or tarp on the floors, windows, and doorways inside and leading to the work area;
 - c-2. Wet sanding and scraping of the surface areas that require painting.
 - c-3. Workers should use air filtration devices to prevent inhalation of lead dust and other contaminants, and wear protective suits (disposable painter's overalls) over clothing to prevent exposure or contamination of the skin or clothes;
 - c-4. Wet mop all paint chips, debris and dust into a pile, enclose it in a plastic trash bag and properly dispose of it;
 - c-5. Clean floors, doorways, windowsills, and troughs using an approved HEPA vacuum; and
 - c-6. Use additional safety precautions to ensure occupant protection, worksite preparation, and property cleanup activities.
- d. Clearance – After paint is stabilized, a clearance examination must be performed by a certified professional to ensure that all required work was completed and no lead-based paint hazards remain. Clearance involves a visual assessment and dust testing after cleanup is complete to determine if the unit is safe for occupancy.

These requirements specifically apply to federally funded rehabilitation projects, which included CDBG, HOME, and other sources. The lead-based paint requirements for rehabilitation work are the same regardless of the source of program funding, but they differ based on the level of funding to a property.

22. *Payment Documentation & Processing*

- a. The Subrecipient will submit a printout of building permits pulled and documentation supporting the permit status for each draw request submitted to AHS for reimbursement
- b. To reduce the possibility of subcontractor liens being placed on homeowner properties for work not paid by the prime contractor, the prime contractor is required to submit a *listing of all subcontractors* at the beginning of the project and *notarized partial lien releases* from each subcontractor to the Subrecipient after the completion of the various phases of rehabilitation work and with each request for payment.
- c. All Subrecipient projects will be paid by *Purchase Order* in the AHS accounting system. Change orders are the responsibility of the Subrecipient. In no instance will a homeowner project's costs be greater than the maximum grant limit or loan amount defined in this policy at Section B. 9 Maximum Subsidy Limits for Rehabilitation Projects.
- d. The Subrecipient will monitor the construction work and control the draw process.
- e. The Subrecipient will submit executed and *notarized partial lien releases* with each payment request.
- f. Hillsborough County's Building Services will perform the final inspection for payment of funds for all rehab work that requires permitting in the following categories: electrical, mechanical, structural, roofing and general alteration and repair. The Subrecipient is responsible for the final inspection of all other rehab work performed by the Contractor.
- g. All Contractor and Subcontractor Change Orders must first be approved by the Subrecipient prior to any work being done on the property.
- h. Contractor shall provide a *Lien Waivers* from all subcontractors and suppliers to the Subrecipient as a condition of Final Payment.

23. *Responsibilities of Contractors & Subcontractors:*

- a. All Contractors and Subcontractors receiving funding from the County and participating in the rehabilitation program performing work on an applicant's home agree to the following:
 - **To conform to 24 CFR Part 85, the Contractor shall provide proof of payment and performance bonding prior to Notice of Proceed for jobs in which the costs of construction exceed \$100,000.**

- The Contractor will supervise and direct the construction of the project and shall perform the work in accordance with industry standards and in a professional and skilful manner.
 - The Contractor will provide the Subrecipient with evidence that the Contractor has secured and paid for all licenses and permits necessary for the proper execution of the project, and upon completion will provide evidence that all the work has been inspected and approved by the appropriate officials.
 - The Contractor agrees that ALL work shall be completed in a professional manner and shall be carefully inspected by him/her for completeness prior to requesting a final inspection. All work must pass a final inspection by the County's Rehabilitation Inspector, or his or her designee, and the Building Inspection Division (when required) before final payment is made to the Contractor.
 - The Contractor will not employ any person(s) on the project who is unqualified or unskilled in the assigned tasks or duties or who does not have the proper licensing or certification required to perform the work. The Contractor will not allow any employee to work at the job site that cannot perform his/her assigned tasks and duties in a professional manner.
 - The Contractor will be responsible for the acts and omissions of all employees, and all subcontractors, their agents and employees, and all other persons performing any work on the project.
 - The Contractor at all times will keep the applicant's property free from accumulation of waste materials or rubbish caused by the Contractor's work.
 - The Contractor will be responsible for the protection of all supplies, materials, equipment, completed work, and incomplete work at the job site until the work is completed.
 - The Contractor shall provide a *waiver of lien* and obtain *waivers of lien* from all subcontractors and suppliers.
 - The Contractor shall maintain a ***Drug-Free Workplace*** in accordance with all applicable federal, state, local laws, rules and regulations.
- b. All contractor(s) must be *licensed/certified* and *insured* to perform the work on the project. All subcontractor(s) working under the general contractor must be licensed/certified and insured. Proof of current licensing and insurance shall be contained in each client file. Minimum insurance for the general contractor and the subcontractors shall be the same as that required by the State of Florida.

24. *Contractor Grievance, Suspension, and Debarment*

- a. If any work performed is considered unsatisfactory or not in accordance with the contract specifications, County and Subrecipient's policies and procedures or applicable federal, state, or local laws/rules/regulations, and said work is not corrected within a reasonable time after notification, the Contractor and/or Subcontractor may be *suspended and/or barred* from further rehabilitation work.

- b. Grievances between the Subrecipient and the Contractor: The Contractor may be *suspended or debarred* for six months or *terminated* from the program by the Director of the Affordable Housing Services Department for one or more reasons deemed appropriate by the Director including but not limited to:
- Continuous poor quality work and/or failure to perform under the terms of the contract, as determined by the Director of the Affordable Housing Services Department.
 - Failure to maintain required insurance or licensing.
 - Failure to pay subcontractors or materials suppliers in a timely manner.
 - Failure to respond to an emergency complaint from a homeowner within 24 hours of contact about a complaint dealing with health or safety concerns (electrical, roof, plumbing, or HVAC).
 - Insolvency, bankruptcy, other conduct or condition which has resulted in monetary loss to a homeowner or the Rehabilitation Program.
 - Abandonment of a job or repeated failure to complete the contracted work within the time directed by the AHS.
 - Contractor's conviction of a crime in connection with contract work or in connection with payment or receipt of funds administered by the AHS.
 - Performing any work on the property beyond the scope of the specifications as approved by the Subrecipient. If the homeowner and the contractor desire to enter into a separate contract, that contract and work must occur after final inspection of the work contracted through the Rehabilitation Program.
 - Making derogatory statements to or about the homeowner regarding the homeowner's program eligibility or discriminatory statements about the homeowner's race, creed, religion, color, age, sex, marital status, familial status, national origin, disability, or actual or perceived sexual orientation or gender identity.
 - Other reasons deemed appropriate by the Subrecipient including non-compliance with any contractor requirement in this policy.

25. *Grievances between the Homeowner and the Contractor:*

- a. Disputes between the homeowner and contractor during the contract period or warranty period may arise. In those instances where a mutually satisfactory agreement cannot be reached between the parties the following *Grievance Procedure* will be followed as a first step:
- The grievance by the homeowner or contractor is to be filed with the Subrecipient's Executive Director in writing.
 - The Subrecipient's Executive Director or designee will meet with the homeowner/contractor and attempt to negotiate a solution.

The Subrecipient's *Grievance Procedure* will be made a part of the contract between the homeowner and the contractor.

- b. **Arbitration:** All claims, disputes, and other matters in question between the homeowner and the contractor, arising out of or relating to the *Work Contract* or the breach thereof, shall first be properly and fairly considered by the Subrecipient utilizing the Subrecipient's *Grievance Procedure* outlined above prior to engaging in *binding arbitration*.
- All disputes must be submitted to the Subrecipient in writing to the Subrecipient's Executive Director. The Subrecipient's Executive Director or designee shall review the dispute, the previous attempts by the parties to resolve the dispute, and offer an alternative resolution, if any.
 - If the parties have not resolved the dispute within fourteen (14) days of the Subrecipient's Executive Director or designee's recommendation, then the parties will be referred to binding arbitration pursuant to Chapter 682, Florida Statutes. Notice of the demand for arbitration by one party to the Work Contract shall be filed in writing with the other party to the Work Contract. The demand shall be made within a reasonable time after the claim, dispute, or other matter in question has arisen. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim dispute or other matter in question would be barred by the applicable statute of limitations. Fees and expenses incurred shall be paid as provided in the arbitration award. The award rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.
- c. The County, to include AHS, shall not be a party to such dispute resolution. The Subrecipient, contractors and subcontractor shall indemnify, defend and hold harmless Hillsborough County and each of its governing body, officers, directors and employees, from any such claims, suits, demands, judgments, losses, costs, fines, penalties, damages, liabilities and expense arising directly or indirectly out any dispute between the homeowner, contractor, or Subcontractor. The Subrecipient contractors and the homeowner shall bear the sole cost and expense of such dispute resolution. Funding provided by the County may be used for initial arbitration fees, but may not be used for attorneys' fees or award and/or settlement amounts. Program funds may be used to pay for disputed amounts owed under the contract that can be identified in the approved *work write up* and *scope of work* that have been resolved if those amounts are eligible for reimbursement respective to the source of funds used to pay them.
- d. Each Contractor shall require that such provision be included in all contracts and other documents between the Contractor and the homeowner and the Contractor and its contractors. In any arbitration, the laws of the State of Florida shall be applicable. Venue for any mediation or arbitration shall be in Hillsborough County, Florida. In any arbitration, the Arbitrator shall strictly interpret and enforce all contract provisions.

C. CASE PROCESSING PROCEDURES:

Rehabilitation cases are processed as follows:

1. *Application Intake/Case File:*

- a. A completed *Pre-Application* arrives at the Subrecipient, usually by mail. The Pre-Application is assigned an “RA” (Rehabilitation Application) number and screened for basic program requirements. The applicant is notified if information provided does not meet program requirements. Generally a waiting list exists. The homeowner is next contacted when the case is assigned to a Subrecipient’s Housing Counselor. The application and required information is submitted by the homeowner. The application contains general information about the homeowner, their property, and their income.
- b. A case file is established. All required documentation in the client files should be organized, easily accessible and firmly attached. All files must contain a “*Note-to-File*” sheet on the first page. This sheet should address any area(s) of the file that are unclear or when oral verification of the information was obtained. Also in the file shall be a completed checklist indicating that all required forms and approvals have been obtained prior to loan closing and prior to final payment.

2. *Income Qualification/Property Qualification:*

- a. Income Qualification: Depending on the funding program, homeowners must meet 80% and below of AMI for federal programs or 120% and below AMI for state programs. At different times throughout the year the County may have funds available for one or more particular income groups. If state SHIP funds are used for rehabilitation work, program compliance requirements stipulate that a minimum of 65 percent of the funds must be spent on eligible construction activities; at least 30 percent of the funds must be reserved for very-low income households (up to 50 percent of the area median income); an additional 30 percent may be reserved for low income households (up to 80 percent of AMI); and the remaining funds may be reserved for moderate-income households (up to 120 percent of AMI). AHS reserves the right to direct Subrecipient’s expenditures so as to prioritize one income group over another in order to achieve compliance requirements and/or to ensure timeliness of expenditures.
- b. **Household Gross Annual Anticipated Income shall be calculated using the format described in the HUD Handbook 4350.3 Rev.1. Participants’ income will be determined based on the HUD income guidelines.**
- c. Property Qualification: Single-family properties must be owner occupied and owners must have title to the real property. The Subrecipient will review other encumbrances on the real property such as mortgages, liens, code violations, and judgments. The Subrecipient must also determine after-rehab value of the home through comparative sales values.

3. *Home Inspection:*

After the homeowner is qualified, the Subrecipient's Construction Inspection Team sets up an appointment with the homeowner and visits the site to inspect the project per Hillsborough County Ordinance 09-63, as it may be amended. In-house evaluations necessary to meet regulations under the HOME, CDBG, and SHIP program are also completed, such as environmental reviews, inspections for lead based paint, and compliance with property standards per the applicable regulations. Photos of the condition of the property should be taken before any work is done should be documented in the file.

4. *Cost Estimate / Specifications Work Write-Up:*

Cost estimates and specifications are prepared using a software program and periodically updated with new labor/material costs or by someone on the Subrecipient's staff or hired by the Subrecipient who is qualified, licensed, trained and experienced in preparing them. Specifications are evaluated per program to determine if the costs exceed the limits of the funding program. It is also determined at this point if the homeowner will have to leave the property during the rehabilitation. Neither relocation assistance (rental) for eligible households nor costs associated with storage, moving, security deposits, etc. costs are reimbursed by the AHS Home Rehabilitation Assistance Program. The Subrecipient may, at its option, provide relocation assistance to homeowners using its own funds. The client signs the specifications and agrees to a *bidder walk-through meeting*.

5. *Specifications Sent to Prospective Bidders:*

- a. The Subrecipient contacts contractors directly via email and posts the bidding opportunity in the in-house bid book for review. A date and time is specified for on-site review of the bid opportunity. **CONTRACTORS ARE PROHIBITED FROM MAKING ANY CONTACT WITH THE HOMEOWNER. PRIOR CONTACT SHALL BE THE BASIS FOR PROHIBITING THE CONTRACTOR THE OPPORTUNITY TO BID ON THAT JOB.**
- b. The Subrecipient conducts an *on-site job walk-through*, meeting with interested bidders, answering questions, and providing any additional information. The client is encouraged to attend this event to meet contractors and promote better understanding of rehabilitation work.
- c. Until the specified date and time for *bid opening*, the Subrecipient receives *sealed bids* and maintains them in the safe.
- d. Bid opening is conducted by the Subrecipient representative with at least one other staff witness and the bids are recorded on a *Bid Opening Worksheet*. Low bid from a responsive and qualified bidder shall be the basis for determining the selected contractor.

- e. Information from this process shall be the basis for establishing one *Purchase Order* for all of a homeowner's project with AHS and the provision of a subsequent *Notice to Proceed to the contractor*.

6. *Contractor/Subcontractor Qualification:*

The Subrecipient shall review the contractor/subcontractors' licenses and insurances as well as check the state and federal debarment/suspension lists and with the County's Consumer Protection Agency for complaints prior to approving any Contractor or Subcontractor for work on any rehab project. Furthermore, the Subrecipient will ensure that environmental reviews have been completed, and, if necessary, lead based paint hazards testing have been completed, before awarding a job to a contractor. After all vetting and testing has been completed and documented in the rehab case file, the lowest responsive bidder shall be awarded the job. Environmental review is not required when SHIP funds are used.

7. *Contract Signing/Loan Closing, When Applicable:*

- a. When a project is NOT a grant, a loan closing is coordinated by the County-designated title company. Loan documents are completed and executed. The homeowner has a 3-day right of rescission for the loan documents.
- b. When the project is a grant, the Subrecipient's Housing Counselor coordinates a meeting to complete the contract.
- c. Accommodations shall be coordinated for loan closing at the client's home or an agreed upon location when travel by the client is a significant issue.

8. *Notice to Proceed/Mortgage Recorded:*

The *Notice to Proceed* is issued to the contractor and mortgage documents are recorded with the Clerk's Office.

9. *Temporary Relocation of Homeowner (if applicable):*

- a. **The County will not provide relocation assistance (rental) for eligible households or costs associated with storage, moving, or security deposits. Applicants or the Subrecipient, if they chose to do so, will be required to pay for these expenses if they are needed.**

10. Permits Pulled/Rehab Work Mobilizes:

- a. The Subrecipient monitors the project to ensure permits are pulled when required and tracks the progress of construction. The work contract must contain a specified amount of time to complete the project.
- b. All Contractors and Subcontractors participating in the County's Rehabilitation Program must ensure that all necessary and required *permits* are obtained prior to the commencement of the rehabilitation of the home. **Without limitation, permits shall be required for the following rehabilitation categories: electrical, plumbing, mechanical, structural, roofing, and general alteration and repair permits.** All work must be inspected and permits finalized by the County's Building Services Division and County's Construction Inspection Team prior to the completion of the rehabilitation. The failure of the Contractor to obtain required permits shall be grounds for the County to refuse reimbursement of the rehabilitation project. Furthermore, such failure to obtain required permits for any rehabilitation project may be grounds for disqualification of the contractors and/or subcontractor for any subsequent rehabilitation contracts, as determined by the Subrecipient.
- c. Any and all claims, valid liens, suits, demands, judgments, losses, costs, fines, penalties, damages, liabilities, and expenses (including all costs for investigation and defense thereof including, but not limited to, court costs, reasonable expert witness fees and attorney fees) which may be incurred by, charged to or result from, either directly or indirectly, the failure to obtain permits shall be the sole responsibility of the Subrecipient, Contractor and the Subcontractor.
- d. The Subrecipient, Contractor and Subcontractor shall indemnify, defend, and hold harmless Hillsborough County and each of its governing body, officers, directors, and employees, from any such claims, suits, demands, judgments, losses, costs, fines, penalties, damages, liabilities, and expenses arising directly or indirectly out of the failure of contractors to obtain any and all necessary permits to rehabilitate the applicant's home.

11. Payment Processing:

- a. **Contractor's payments are generally required at the 50% and 100% draws with a 10% hold back. On a case-by-case basis payments can be provided at other percentages as negotiated in the work contract.**
- b. Payment processing includes paperwork such as *subcontractor listing, change orders, draw schedules, draw computation sheets, and invoices.*
- c. **Final payment to the Contractor will not be provided until the owner has received all applicable *warranties* associated with the work performed.**

12. Change Orders:

- a. If a *Change Order* is requested and approved, modifications to the County's Rehabilitation loan will be made and the loan documents re-recorded.
- b. Any *change order* shall include in its final form a detailed description of the change in the work, the contractor's definitive statement as to the resulting change in the contract price and/or time and the statement that all work involved in the change shall be performed in accordance with contract requirements except as modified by the amendment.
- c. Any request for a *change order*, regardless of whether it involves an increase in work to be done, cost and/or time, must be approved by the Subrecipient before the additional work takes place.

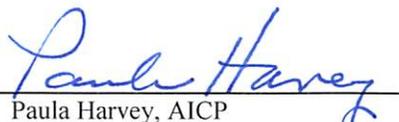
13. Final Inspection:

- a. All work must be inspected and permits finalized by the Subrecipient and the County's Building Services Division prior to the completion of the rehabilitation. Punch lists are provided from the Subrecipient to the Contractor.
- b. After completion of the items on the *punch list*, the Subrecipient returns and performs a final inspection of the work completed. Then the homeowner signs an *Owner Release Certification* based on the completed work that was specified in the contract and subsequent change orders and provides it to the Contractor and the Subrecipient.
- c. *Lien releases* from the Contractor and Subcontractors are also provided for *final payment*.
- d. *Warranties on material and labor* are triggered by this *final inspection* date.

14. Project Closeout:

- a. All paperwork is reviewed for completion and put into the file.
- b. The project is updated in the Subrecipient's Housing Programs database.
- c. Case summary forms (CSF) are completed and forwarded to AHS for project reporting information.
- d. A *File Reconciliation Worksheet* shall be completed by a Subrecipient staff member other than the Subrecipient Housing Counselor assigned to the case to assure the file is complete before close-out.

APPROVED BY:


Paula Harvey, AICP
Director, Affordable Housing Services

3-18-15
Date