

Staff Summary Report



Council Meeting Date: 02/19/09

Agenda Item Number: _____

SUBJECT: Request approval of a resolution approving the Housing Improvement Program Procedures Manual.

DOCUMENT NAME: 20090219cdch01 **COMMUNITY DEVELOPMENT (0403-01) RESOLUTION 2009.13**

SUPPORTING DOCS: Yes

COMMENTS: N/A

PREPARED BY: Craig Hittie, Affordable Housing Supervisor (480/350/8960)

REVIEWED BY: Liz Chavez, Housing Services Administrator (480/350-8958)

APPROVED BY: Chris Salomone, Community Development Manager (480/350-8294)

LEGAL REVIEW BY: Teresa Voss, Assistant City Attorney (480/350-8814)

FISCAL NOTE: Funding for the rehabilitation programs is provided by the Home Investment Partnership (HOME) and the Community Development Block Grant (CDBG) programs. All funds for these programs are federal and have no financial impact to the city.

RECOMMENDATION: Staff recommends approval of Resolution 2009.13

ADDITIONAL INFO: The City of Tempe's Housing Services Division developed this Procedures Manual to guide the implementation of its Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) funded housing rehabilitation activities. The attached manual defines commonly used terms, discusses environmental standards, explains the application and eligibility determination processes, and outlines construction and contractor standards, as well as financial management and record-keeping requirements, among others. The procedures contained herein comply with the federal regulations at 24 CFR 570 and 24 CFR 92, which govern the implementation of the CDBG and HOME programs, respectively.

On January 27, 2009, the Home Improvement Program Procedures Manual was presented to the Housing Committee. After discussion, the Committee recommended Resolution 2009.13 be added to the February 19, 2009 Formal Council consent agenda for consideration.

RESOLUTION NO. 2009.13

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMPE, ARIZONA, APPROVING THE CITY OF TEMPE HOUSING IMPROVEMENT PROGRAM PROCEDURES MANUAL

WHEREAS, the City of Tempe's Community Development Department administers federally funded programs; Home Investment Partnership (HOME) Program, American Dream Downpayment Initiative (ADDI) Program, Community Development Block Grant (CDBG) and Section 8 Housing Choice Voucher Program; and

WHEREAS, the primary purpose of the City of Tempe's HOME and CDBG Rehabilitation programs is to rehabilitate and repair single family and one- to four-family dwelling properties; and

WHEREAS, it is an important tool for community and neighborhood revitalization and for expanding homeownership opportunities, especially among lower income and minority households in Tempe; and

WHEREAS, the City of Tempe City Council adopted Resolution 2007.88 on November 8, 2007 approving the revisions to the Rehabilitation Programs Policy Manual.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TEMPE, ARIZONA, as follows:

Section 1: The City of Tempe's Rehabilitation Procedures Manual is hereby approved and,

Section 2: The Community Development Department is authorized to submit the manual to the U.S. Department of Housing and Urban Development (HUD).

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF TEMPE, ARIZONA this _____ day of _____, 2009.

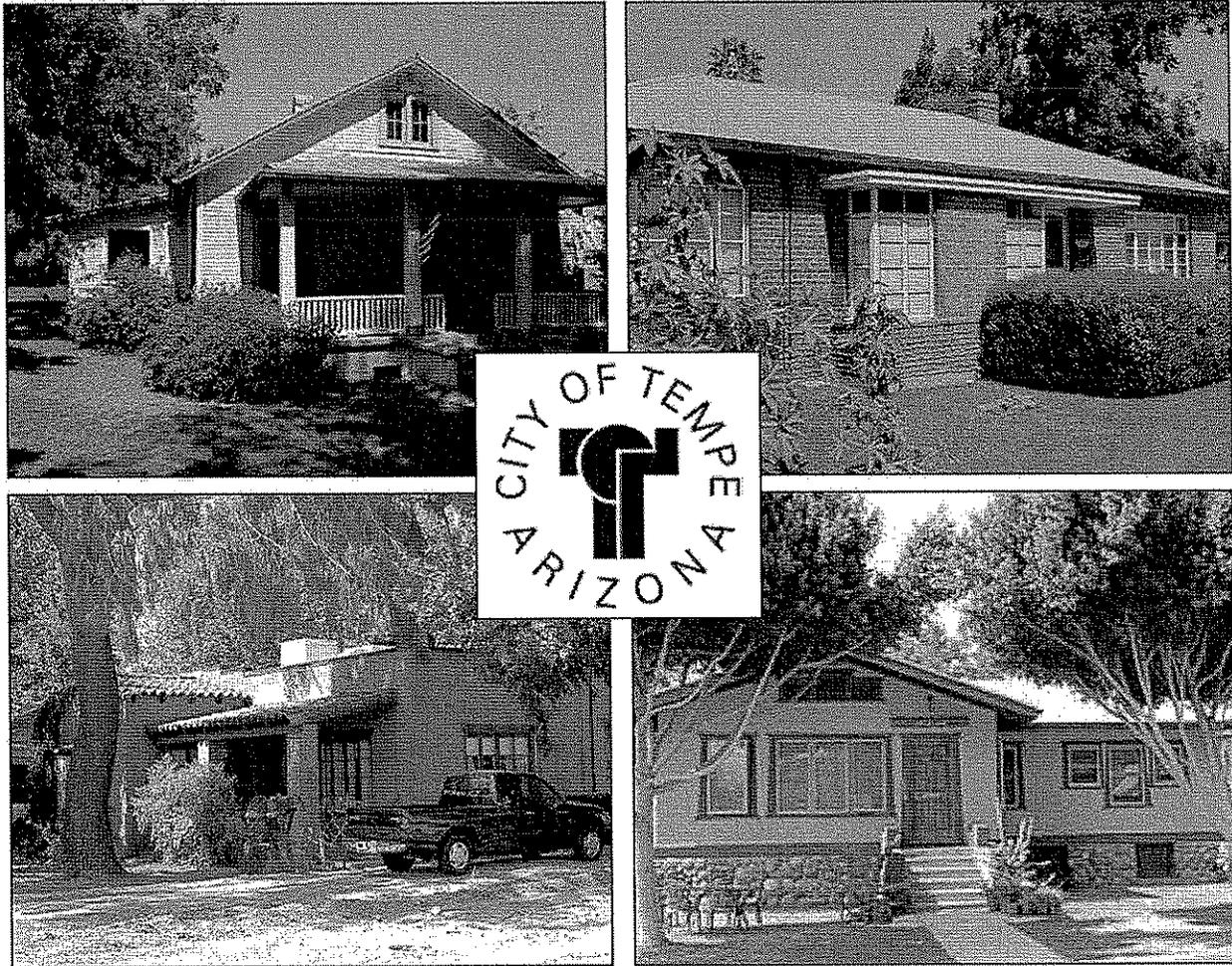
MAYOR

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney



City of Tempe
Community Development Department
Housing Services Division

Housing Improvement Program Procedures Manual

Adopted February 19, 2009



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I. SUMMARY

The City of Tempe's Housing Services Division developed this Procedures Manual to guide the implementation of its Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) funded housing rehabilitation activities. The following sections define commonly used terms, discuss environmental standards, explain the application and eligibility determination processes, and outline construction and contractor standards, as well as financial management and record-keeping requirements, among others. The procedures contained herein comply with the federal regulations at 24 CFR 570 and 24 CFR 92, which govern the implementation of the CDBG and HOME programs, respectively.

II. TERMS & DEFINITIONS

The following terms and abbreviations will be used throughout this document:

- Accessibility Modification: rehabilitation activities that will enhance an occupant's access to the dwelling, particularly for seniors and persons with disabilities. Typical accessibility modifications include ADA-approved showers, toilets, grab bars, flooring, and ramps, among others.
- Adult Household Member: any person residing in the assisted household aged eighteen and older
- Affordable Housing Specialist (AHS): staff of the City of Tempe's Housing Services Division who are responsible for: wait list maintenance; applicant intake and eligibility determination; scopes of work, contract execution, contractor monitoring and other administrative tasks. The AHS works directly with program participants and contractors to ensure timely and effective completion of all rehabilitation projects according to the federal regulations that govern the City's housing programs.
- Application: document required of all interested parties that wish to participate in the City's rehabilitation programs. Applications request information related to income/assets, property type, ownership, type of work requested, conflicts of interest and other provisions that assist the AHS to determine program eligibility.
- Area Median Income (AMI): the US Dept. of Housing and Urban Development (HUD) determines this number on annual basis. Recipients of federal funds through the City's Housing Improvement Programs may not possess incomes above 80% of AMI (adjusted for family size).
- Community Development Block Grant (CDBG): administered through the US Department of Housing and Urban Development (HUD), this

program finances a number of community development activities, including: housing rehabilitation, homeownership, public facilities, infrastructure and economic development. The City determines the use of its CDBG funds as described in the 5-Year Consolidated Plan and Annual Action Plans.

- Eligibility: basic standards for participation in the City's housing rehabilitation programs, including: income, proof of property ownership and primary place of residence, citizenship, among others, that the City must require of program participants per federal regulations
- Emergency Rehabilitation: activities that will eliminate immediate threats to health, safety or welfare of occupants once completed. Examples include repair/replacement of: HVAC systems, roofs, plumbing, electrical and elimination of code violations. City staff will determine if a proposed activity qualifies as an emergency.
- HOME Investment Partnership (HOME): funding provided through the City's membership in the Maricopa County Consortium. These funds originate from the US Department of Housing and Urban Development and are used for regular rehabilitation activities and assistance to Community Housing Development Organizations (CHDOs).
- Housing Improvement Contract: an agreement executed between the applicant and the contractor that details the scope of work to be completed, required standards and methods of rehabilitation, insurance requirements, timeline for project completion and other stipulations. The City of Tempe is not a party to Housing Improvement Contracts.
- Housing Services Division: one of six divisions within the City of Tempe's Community Development Department. The Housing Division manages the City's CDBG entitlements, HOME funds and other affordable housing-related funding and programming in the City. To contact:

City of Tempe
Housing Services Division
21 E. 6th Street, Suite 214
Tempe, Arizona 85281

480-350-8950 (P)
480-350-8902 (F)
480-350-8913 (TDD)

- Housing Quality Standards (HQS): minimum property standards established by the US Department of Housing and Urban Development

(HUD) to ensure that federally assisted properties are safe and decent for residents. All assisted rental units must comply with HQS and be reinspected by the Housing Division yearly throughout the five-year affordability period (see Rental Reinvestment Program)

- HUD: the US Department of Housing and Urban Development – a federal agency that provides and monitors the City’s affordable housing funding. HUD provides the City directly with CDBG funds and HOME funds through the Maricopa County HOME Consortium.
- Income Limits: Published annually by HUD, these figures provide the standard by which the City may distribute CDBG and HOME funds to program applicants. These figures vary based on the number of persons dwelling in the applicant’s household. Applicants may not receive federal funds if their total household income exceeds the published HUD Income Limits (adjusted for family size).
- Intake: the initial interview with applicants. At intake, the AHS discusses eligibility requirements, obtains required documentation and begins the verification process.
- Lead Abatement: the process of eliminating identified lead-based paint hazards for a minimum twenty year period. Typical abatement activities include permanent encapsulation, removal of paint, and removal and replacement of lead-contaminated building components.
- Lead Clearance: post-abatement or post-mitigation testing completed to determine that a home is free from lead-based paint hazards.
- Lead Mitigation: less extensive than abatement, mitigation eliminates the hazards associated with lead-based paint, though often the paint itself remains in the home. An example of mitigation is the encapsulation of exterior window trim identified as a lead hazard. Encapsulation effectively covers the affected painted surface without removing it, thereby eliminating the hazard while leaving the lead-based paint that caused the hazard.
- Lead Risk Assessment and Inspection: per federal regulations, all residential rehabilitation must be tested for the presence of lead-based paint hazards unless the work is exempt from testing. If a project is not exempt, an EPA and HUD certified firm must complete this assessment and inspection, and generate a Report that shows all identified lead hazards present in the home. This report serves as the basis of a scope of work for lead abatement or mitigation.
- Low and Moderate Income (LMI): term used to describe households that

are eligible to benefit from HUD-funded activities. LMI households possess incomes that are less than or equal to 80% of the area median income for Greater Phoenix based on household size. Based on the number of people living in the household HUD determines these limits on a yearly basis.

- Pre-Application: an initial application submitted by potential program participants that requests similar information as the regular application form. The pre-application is used to screen any potential applicants that may not be eligible to participate in the City's housing programs.
- Preference Areas: certain areas of the City possess older and more substandard housing stock than other areas. For this reason, the City designated two preference areas to assist in distributing rehabilitation assistance. For emergency and regular rehabilitation the preference one area is comprised of all locations north of Alameda Drive with the preference two area comprised of all other areas in the City. The rental rehabilitation preference one area is located south of Southern Avenue, with the preference two area north of Southern Avenue. A more detailed description is included in Section IV Part E.
- Regular Rehabilitation: as opposed to emergency rehabilitation only projects, regular rehabilitation addresses building needs that may or may not affect immediate threats to health, safety or welfare of household members. In addition to the eligible emergency repairs described above, work may also include: window/door repair, painting, flooring, cabinetry, appliance purchase, other deteriorated building components, or activities designed to support energy/water conservation.
- Rehabilitation Grant: financial assistance provided to eligible homeowners with no obligation to repay the funding provided. Currently, grants of up to \$7,500 are available to qualified homeowners for emergency and accessibility modification activities. Owners may also only receive a grant once within a three-year period.
- Rehabilitation Loan (amortized or deferred): financial assistance provided to eligible homeowners with an obligation to repay all costs associated with rehabilitation. Currently, the City offers deferred loans (with or without an amortized payment), the value of which equals the total costs of rehabilitation, including construction costs and loan fees.
- Rental Reinvestment Program (RRP): similar to the regular Housing Improvement Program, the RRP allows expanded rehabilitation activities beyond emergency rehabilitation, though only at one to four unit rental properties. Under the RRP, the beneficiaries of rehabilitation are the tenants that occupy or will occupy assisted units. For this reason, the City

qualifies the incomes of the tenants, not the owners of these properties. Further, the City requires a five-year period of affordability whereby rents are restricted and the property is subject to yearly HQS inspections. The City's Housing Division monitors the project yearly during the affordability period.

- Standards for Rehabilitation: the minimum basic standards by which the Housing Division conducts rehabilitation activities. These standards are described in detail in the Minimum Basic Housing Rehabilitation Standards manual created by the Maricopa County HOME Consortium in October of 2005 (attached in Appendix A).
- State Historic Preservation Office (SHPO): the Arizona State Historic Preservation Office is a division of the Arizona State Parks Department that provides consultation to local governments as required by federal regulation. All projects at properties older than 50 years with exterior modification must undergo a historic preservation review through consultation with SHPO. Project funds cannot be committed or expended until SHPO concurs with a finding of No Historic Properties Affected or No Adverse Effect.
- Tempe Historic Preservation Office (HPO): a City office that provides initial historic preservation review with the Housing Division. The City HPO provides an initial determination as to the potential historic character of a proposed project site and serves as an advisor in developing scopes of work at historic or potentially historic properties.
- Verification: process of corroborating documentation submitted by applicants through third party sources
- Waiting List: when demand for rehabilitation assistance exceeds the City's availability of funding or staff resources, the City places applications on a waiting list based on the date/time of application submission.

III. Types of Rehabilitation Assistance

In accordance with the City's Annual Action and Consolidated Plans, the Housing Services Division administers three types of housing rehabilitation programs, as summarized in the following sections.

A. Emergency Housing Improvement Program

Using CDBG funds, the City of Tempe offers grant assistance to eligible homeowners to complete limited work to eliminate immediate threats to the safety or health of household occupants. Typical work items include,

but are not limited to, replacement/repair of: HVAC systems, roofs, plumbing and electrical systems, and non-functioning bathrooms. Elimination of code violations as cited by the City's Neighborhood Enhancement Division is also an eligible use of emergency rehabilitation funds. Currently, the City may provide up to \$7,500 in grant assistance for these items, and as the assistance is offered as a grant, there is no obligation to repay the funds. Currently, homeowners may only receive emergency grant assistance once in a three-year period.

B. Housing Improvement Program

Using HOME funds, the City offers loan assistance to eligible homeowners to complete more extensive rehabilitation for single-family homes. Work items may include, but are not limited to replacement/repair of: windows/doors, plumbing/electrical/HVAC systems, roofs, cabinetry, flooring, and foundations, as well as interior and exterior painting, mitigation/abatement of lead-based paint hazards, among others.

The City provides up to \$35,000 in deferred loan assistance for these repairs. The loan may or may not contain an amortizing monthly repayment requirement (depending on the financial circumstances of the borrower). The City secures its investment with a lien (Deed of Trust) equal to the value of the loan, which is repaid in cash by the homeowner, or upon sale, transfer or alienation of the property. Currently, homeowners may not receive assistance if they have an existing City lien on their property or if they have received assistance in the last ten years (regardless of lien status).

C. Rental Reinvestment Program

Similar to the Housing Improvement Program, the Rental Reinvestment Program provides deferred loan assistance to rental property owners for rehabilitation of income-qualified 1-4 unit dwelling units. Property owners must contribute either 25% or 50% of the rehabilitation cost (on a per unit basis) up to \$14,999 per unit, with a minimum of \$1,000 in City assistance per unit. The percentage of the per unit cost borne by the owner is based on preference area, with owners north of Southern Avenue obligated to contribute 50% of the per-unit rehabilitation costs and owners south of Southern Avenue obligated to contribute 25% of the per-unit rehabilitation costs.

In addition, assisted units must remain affordable for a five-year period. Affordability will be maintained through rent and income restrictions for tenants, with all households maintaining incomes within HUD income limits, and rent values restricted to no more than 30% of the AMI. All assisted units will also be required to meet HUD HQS standards

throughout the affordability period. The City of Tempe monitors assisted rental units yearly to ensure compliance.

IV. PRE-APPLICATIONS

A. Availability

Pre-application forms are available at the Housing Services Division reception area and also may be mailed to property owners upon request. Completed pre-applications will be accepted in person at any time during regular business operating hours (Monday through Friday between 7 AM and 5 PM) and by mail. If a pre-application is mailed to a homeowner, a cover letter is attached explaining the waiting list process (if applicable) along with a return addressed stamped envelope.

If a homeowner calls or comes into the office requesting a pre-application and they say they have an emergency, which is a life threatening or health and safety issue, a pre-application is completed along with an Emergency Certification form. If the emergency pre-application paperwork is mailed to the homeowner, a cover letter is attached with the Emergency Certification and pre-application and a return addressed stamped envelope is provided. A similar form is used for applicants with ADA accessibility requests.

B. Materials Included in Pre-Application File

1. Pre-Application form (purple)
2. Declaration of Income (green)
3. Conflict of Interest (white)
4. Housing Improvement Checklist (secured on left side of file; purple)
5. Waiting list Notification letter (if applicable)
6. *Metroscan* printout
7. Comparative Values for similar properties (from the County Assessor's website)
8. HOME – 95% of Median Sales Price table

C. Program Eligibility and Appropriate Documentation

As required by HUD, the Housing Division must ensure that program applicants adhere to certain statutory and regulatory requirements. Adherence to these requirements assures eligibility to receive financial assistance from the City's housing rehabilitation programs. The following table summarizes the City's eligibility requirements and the documentation required to verify eligibility:

1. **Income** – the basic eligibility requirement for all CDBG and HOME

fund recipients. Total household income must be determined and documented and cannot exceed the Income Limits established and updated by HUD on a yearly basis. HUD bases these limits on the AMI of the Phoenix-Mesa Metropolitan Statistical Area. A copy of the current Income Limits is included in the Appendix of this document, and will be replaced with updated Income Limits as provided by HUD on an annual basis.

Income sources include, but are not limited to: wages, salaries, overtime pay, commissions, fees, tips, bonuses, business profits, investment income, and periodic payments from entitlement granting agencies, among others. Acceptable documentation includes paystubs, cancelled checks, award letters, and others.

2. **Assets** – the City must also determine the total value of assets owned by all adult members of each applicant household. Assets include but are not limited to: all financial accounts (i.e. bank, retirement, brokerage), trusts, real estate (other than primary place of residence), among others. The City must calculate anticipated income from the total value of all assets owned within the household. For households with asset values of \$5,000 and above. HUD establishes the rate of return (the “Passbook Rate”) that must be used to calculate asset income. Currently, the Passbook Rate is 2%, and is subject to change per HUD revision.

A regular list of included and excluded income and asset sources and required documentation is available in Chapter 5 of the *Housing Choice Voucher Program Guidebook* (available at www.hud.gov/offices/pih/programs/hcv/forms/guidebook.cfm). Applicants must provide a signed *Declaration of Income* form to disclose all included and excluded income and asset sources claimed within total household income. For rental reinvestment program applicants, the income and asset levels of tenants, not property owners, is used to determine program eligibility.

3. **Ownership & Residency** – for the emergency and regular rehabilitation activities program participants must have owned and occupied the proposed property for at least six months prior to application for assistance. The City requires that applicants submit a copy of the deed or title (for mobile home applications). The City also requires that applicants sign a *Certification of Ownership & Primary Place of Residency* form.
4. **Property Taxes** – all housing rehabilitation program applicants must demonstrate that their City of Tempe and Maricopa County property taxes are not delinquent. A current tax bill with a cancelled check or a

downloaded statement from the County Assessor's Office both demonstrate compliance with this requirement.

5. **Conflicts of Interest** – applicants must disclose all familial or legal relationships they have with City employees, Council members or other City Boards and Commissions. A relationship does not necessarily bar participation in the City's housing programs, though further investigation will be required, and will be completed according to the City's adopted Conflict of Interest policy.
6. **Citizenship/Immigration Status** – applicants must also disclose their citizenship status in order to be eligible for assistance. The City requires that all applicant household members sign a statement indicating their legal status. Parents/guardians may sign on behalf of minors or those who are disabled and under their care. For non-citizen household members with legal immigration status, a copy of the permanent residency ("green") card or other qualifying documentation indicating legal immigration status must be submitted.

Assistance will be provided to households pro-rata, based on the number of legally eligible household members.

For example, if a household of four persons applies for \$7,500 in CDBG emergency funds, and one member is not a citizen or legal immigrant, the City will provide assistance to three of the four (75%) household members. In this example, this household would be eligible to receive up to \$5,625, or 75% of \$7,500, in assistance.

Note 1: All documentation provided must be dated within 60 days of the date of eligibility determination.

Note 2: The City must collect documentation from all adult members of the household (aged 18 and older) related to: income, assets and conflicts of interest. A Declaration of Citizenship must be submitted by all household members regardless of age. Minors and household members with disabilities that prevent them from signing may have their declarations signed by a parent or guardian.

D. **Initial Review**

Completeness and Eligibility – All pre-application forms are reviewed by an AHS for completeness and income eligibility. Once the AHS determines preliminary income eligibility, the AHS sends the Waiting List Notification letter or gives it to the applicant, notifying them of the preference number and anticipated length of time before their name may come to the top of the Waiting list. For Emergency grant or accessibility requests, the Affordable Housing Supervisor reviews the request for initial

qualification as an emergency action and approves or disapproves the proposed work.

If the applicant is not eligible, the AHS will send a letter to them explaining the reason. Notice templates are available in the L Drive.

The AHS must complete the bottom back side of the Pre-application form including:

1. preference number – see Section E that follows
2. income range of the applicant
3. eligibility determination
4. comments or observations (if applicable)
5. signature and date

E. Preference Areas

1. *Housing Improvement Program Preference Areas*

The US Census shows that different areas of the City possess a wide array of socioeconomic and housing conditions. For this reason, the City opted to provide assistance to homeowners based on the location of their property within the City. Based on these data, the City determined that areas north of Alameda Drive demonstrate the greatest need according to household incomes and age of housing stock.

Preference 1 areas include sections of following Census Tracts:

- Apache Boulevard Area – Census Tracts: 3191.01, 3191.02, 3192 and 3193
- Westside Preference Area – Census Tracts: 3188, 3189 and areas of 3197.04 north of Alameda Dr.
- East Rio Neighborhood – Census Tract 3184: north of Curry, west of Miller, south of Weber and east of Scottsdale
- Other Neighborhoods – areas north of Alameda Dr. not within the above locations and within Census Tracts: 3185.01, 3185.02, 3186, 3187, 3190, 3194.03, 3194.04, 3195, 3196 and 3197.02.

Preference 2 areas include – All other areas citywide that are not within preference 1 area boundaries as described above

2. *Rental Reinvestment Program Preference Areas*

The US Census shows that different areas of the City possess a wide array of socioeconomic and housing conditions. For this reason, the City opted

to provide assistance to homeowners based on the location of their property within the City. Based on these data, the City determined that areas north of Alameda Drive demonstrate the greatest need according to household incomes and age of housing stock. Preference 1 areas include sections of the following Census Tracts: 3194.04, 3194.02, 3194.01, 3198.00, 3197.02, 3197.03, 3200.07, 3199.02, 3199.03, 3199.04, 3199.06, 3199.05, 3199.08, 3200.01, 3199.10, 3199.07, 3199.09, 5227.20, 5227.09.

All other areas of the City that are located north of Southern Ave. are considered Preference 2 areas.

Note: Tempe City Council determines preference area boundaries, and may change at any time at its discretion.

V. WAITING LIST

- A. **Purpose** – if demand for the City’s rehabilitation programs exceeds available funding or staffing resources, the Housing Division will create and maintain a participant waiting list. To ensure that applicants are treated fairly, the Housing Division adds pre-applications to the wait list based on the order of submission and documents this order with a date and time stamp on each application. Accordingly, staff pull names from the wait list based on the date and time at which they submitted their pre-application.

The Affordable Housing Supervisor determines the number of applicants pulled from the wait list at any given time. This number should be based on available funding and the existing workload of the Affordable Housing Specialists.

- B. **Preference Areas** – As described in Section IID, the City establishes preference areas for distributing rehabilitation assistance to homeowners. As applied to the waiting lists, the Housing Division first sorts pre-applications by preference area, then by date and time stamp. All preference 1 pre-applications are subsequently pulled from the waiting list before any preference 2 area pre-application regardless of submission date and time.

VI. APPLICATION & VERIFICATION PROCESS

As the Housing Division processes applications in order of preference area and application submission date, the AHS completes another initial review of eligibility prior to notifying applicants to contact the office for an intake appointment. The AHS will research any prior City assistance received by the applicant. For emergency grant applications, the AHS verifies through the Lien Tracking Report whether or not the applicant has received assistance in the last three years. Date of assistance is gauged by the date of the Notice of Completion of the previous project. For regular and rental rehabilitation projects, the AHS

determines if there is an existing lien on the property from the City of Tempe. Applicants may not receive regular rehabilitation assistance more than once every ten (10) years and must repay the regular value of the previous assistance before becoming eligible to receive additional assistance.

If an application satisfies these requirements, the AHS will contact the applicant by mail to schedule an intake appointment. Included with this correspondence must be the document entitled *Things to Bring* to the intake appointment, which provides applicants with a list of the required financial, legal and other documents to bring with them to the intake appointment. Applicants are also notified that they have seven (7) business days to respond to the intake letter, or their file will be closed.

At the end of this period, if an applicant has not responded to the intake letter, the Housing Division will close the file, notify the applicant in writing of the file closure and pull the next name on the wait list using the method described in Section V. Applicants may request an extension to this response deadline only due extraordinary circumstances or requests for reasonable accommodations.

The Affordable Housing Supervisor determines how many applicants are to be placed into the application/verification process from the Waiting List based on available funding and amount of workload for existing projects.

A. Intake Appointments

The primary purpose of the initial intake appointment is to gather all documentation required by regulation in order to determine an applicant's eligibility. In addition, the intake appointment is also an opportunity to discuss the program's procedures to ensure that applicants understand the program's requirements and their responsibilities during rehabilitation. The following is a step-wise process for completing an intake appointment. The AHS shall:

1. Obtain photo identification for all adult members of the household. If a household member is a legal immigrant, obtain the qualifying documentation (i.e. Permanent Resident Card).*
2. Have the applicant complete the regular Application for Assistance (green legal sheet), updating the information provided in the Pre-Application form (purple legal sheet).
3. Verify that all fields are filled in completely and correctly once the applicant completes the full application.
4. Verify that the *Conflict of Interest Certification* and *Declaration of Income* forms are completed correctly and signed by all adult members of the household.

5. Obtain signed/dated *Declaration of US Citizenship or Non-Citizens with Eligible Immigration Status* forms from ALL household members. For ALL legally documented immigrant household members, also obtain a signed/dated *Verification of Consent* form. Parents/guardians may sign both forms on behalf of minors and disabled adults for whom they are responsible.
6. Obtain the deed (title for mobile homes) to the property*. If the applicant does not possess this document, then download a copy from the County Recorder's Office website, making sure that the Instrument Filing Number is legible at the top.
7. Obtain a signed copy of the Certification of Ownership & Primary Place of Residence from all titleholders.
8. Obtain the most recent copy of the applicant's mortgage statement* checking to be sure that the mortgage is up to date. If there is no mortgage, then obtain a copy of the Release and Reconveyance* showing that the mortgage has been satisfied. Should the owner not possess a copy of this document, download a copy from the County Recorder's Office.
9. Obtain a copy of the applicant's most recent tax bill*, which must show that there are no delinquent property taxes. If the applicant does not have this available, then download a copy from the County Assessor's Office website.
10. Obtain a copy of the applicant's Homeowner's Insurance Policy Declaration Page*. Ensure that the effective dates are current. For any policy that may appear to expire prior to completion of the rehabilitation project (one to two months), be sure to obtain an updated policy.
11. Provide the applicant with the EPA pamphlet, *Protect Your Family From Lead in Your Home*, and obtain a signed/dated *Lead Paint Notice Confirmation* form from all titleholders.
12. Obtain signed *Authorization for Release of Information* forms from all adult household members.
13. Gather all income, asset and federal tax documentation*. Be sure to compare income and assets claimed on the *Declaration of Income* form with the documentation submitted. Review any assets for any unusually large or random deposits/transfers that may indicate additional income not be claimed. For SS, SSI, Disability and DES

(unemployment) income, obtain the applicant's award letter. For wage income, obtain 2 months of the most recent paystubs. It is usually easiest to mark off a City Payroll calendar to ensure that the appropriate paystubs are submitted. Review Schedule C of the last two years federal income taxes to gauge any business income claimed. **Only documentation dated within the last 60 days will be accepted with the exception of federal taxes.** Collect the applicant's previous two year's federal tax forms. For those applicants who do not file federal taxes, obtain a signed General Certification Statement that indicates the applicant's exemption from filing taxes.

14. Explain the additional requirements of the program to the applicant and answer any questions they may have. Be sure to discuss the contracting methods and remind the homeowner that the Housing Improvement Program is not a remodeling program. Have all titleholders sign and date the *Acceptance of City of Tempe's Housing Improvement Program* form.
15. Attach in the file, a Verification Progress Report to the front of the left side of the file. This form lists the different verifications that are sent out, to whom they are sent, the date they are returned, and any other pending verifications that are required. All information regarding income and assets must be verified by third-party verification. All verifications are faxed or mailed out by the AHS. If third-party verifications are not possible due to no response, a homeowner-provided verification is acceptable, but only after trying to obtain verification by third party within 30 days.
16. Applicants are informed that verifications are sent out by fax or mail (depending on the requirements of the verifying third party). Verifications can only be hand carried into the office if third-party verification is not possible.
17. Complete the reverse side of the Application form indicating the applicant's bedroom size, census tract, preference number, income limit, pre-determination of eligibility and any comments or observations. Sign and date it.
18. Provide the applicant with a letter outlining the additional documentation that they need to provide in order to proceed with the eligibility process*; this step may not be applicable, though almost all applicants will need to provide at least one or two additional items following intake. The deadline to provide additional documentation should be seven business days from the date of the letter unless unusual circumstances justify an extension. Document the reason for any extensions granted.

19. Make copies of all required documentation marked with an asterisk.

Return all original copies of submitted documentation to the owner.

* Items marked with an asterisk must be copied and retained in the project file. During the intake meeting, keep separate piles of documents for those that need to be copied and those that do not. *Originals shall be returned to the applicant.*

B. Verification of Documentation

At the completion of the intake appointment, the AHS begins the verification process. The following documentation must be verified:

- All income-related documentation, including: wages, recurring cash contributions from outside parties, child support, unemployment, pensions, etc.
- All asset-related documentation, including: bank, brokerage retirement accounts, stocks, Certificates of Deposit, other real estate, etc.
- Business income is documented by Schedule C on federal tax returns and does not need to be verified
- *AFDC/Unemployment Income Inquiry* – submit one for each adult household member to a Section 8 staff member who has access to this system.

Fax cover sheets for many commonly claimed income and asset sources are available in the L Drive under “Intake, pre-app & App, etc\Verifications.” For those sources for which a fax cover has not been created, obtain a contact number from the applicant and call the income/asset source to verify the appropriate means to obtain a verification.

The AHS will document the dates of verification requests and dates returned by third parties on the Verification Progress Report, which is kept on the top of the left side of the project file.

As verifications are returned, the AHS assigned to the file will update the applicant's file by indicating the date returned on the Verification Progress Report. The AHS will review the verifications for completeness. Any incomplete or vague information may be cause for additional information being requested from the applicant or phone contact with the person who completed the verification form.

If verifications have not been returned within a reasonable time frame, the AHS will follow up with the verifying third party. If third-party verifications are not possible, then homeowner-provided verifications may

be used.

If verifications are not received by the deadline date, assistance may be denied. If all the verifications are received, the AHS may proceed with completing the determination of eligibility.

C. Final Determination of Eligibility

Once the AHS receives and processes all required documentation and verifications, the AHS must complete an Annual Income Calculation Worksheet to determine if the applicant is eligible for assistance.

- If the applicant is income eligible for assistance, the AHS will forward the applicant's file to the Affordable Housing Supervisor, who will review the file for completeness and eligibility, and approve the application if eligible. A letter of eligibility will be sent to the applicant indicating they have completed the verification process and have been determined eligible for the program. The letter also states the AHS will contact them to set up an initial inspection, which must be completed within seven days of the notice of eligibility.
- If the applicant's income exceeds the 80% HUD Income Limit, the AHS will notify the applicant in writing. This notice states the amount of the calculated annual income based on verifications and states, if circumstances change at a later date the applicant can reapply.

NOTE: If there are additional owners of the property, not listed on the Application, they need to be made aware of the Housing Improvement assistance and sign the Deed of Trust and Note.

VII. FILE ORDER

Between wait list posting and project completion, there are several documents that must be executed and retained in each applicant's project file. Appendix A contains three diagrams showing the arrangement and contents required of each project file. Documents contained within each tabbed section are ordered with the most recent documents on top.

VIII. REHABILITATION ACTIVITIES

A. Initial Inspections

Once the Applicant has successfully completed the verification process and determined to be eligible to receive assistance, the assigned AHS will notify them by mail. In addition to informing the applicant of their eligibility, this notification will stipulate that owners must schedule an

initial inspection within seven (7) business days of the notice, or risk closure of their file. To expedite the inspection process, the AHS may initiate contact with the owner by phone to set up the inspection.

The purpose of the Initial Deficiency Inspection is to determine what conditions exist at the property that may constitute eligible activities for rehabilitation. In emergency rehabilitation projects, the AHS will coordinate the initial inspection with the next contractor on the rotating contractor list.

When conducting the inspection, the AHS speaks to the homeowner and asks questions regarding any substandard conditions at the property. For regular/rental rehabilitation projects, the AHS completes the Inspection Checklist, going room by room and making notations of deteriorated or hazardous conditions. Any possible code deficiencies are also noted.

For emergency rehabilitation inspections, the AHS is not required to complete the Inspection Checklist, though should take careful notes in evaluating the deteriorated conditions that justify the emergency situation. The AHS may also consult with the contractor to determine the cause of these conditions and derive any solutions to eliminate all identified health and safety threats.

B. Scope of Work

Based on the initial inspection, the AHS will write up a scope of work using the Respec 7 software. For work items not already included in the Respec program, the AHS should research an appropriate scope of work and cost from reliable sources and add them to the program using Respec Maintenance. As the AHS develops scopes of work for projects, s/he should modify any-preloaded specifications to update the latest construction methods and cost estimates.

Once completed, the AHS will forward the scope of work to the contractor(s) assigned to the project via fax or mail. Contractors shall have ten (10) business days to submit a bid for the work. Any bids received after this deadline may be refused by the Housing Division unless the contractor submits a request for an extension in writing that offers a reasonable justification for the extension. The AHS will also forward all scopes of work to the City's Building Safety Division to determine which (if any) work items will require a building permit.

C. Contractor Walkthroughs

Unlike emergency rehabilitation projects, contractors are not present at the initial inspection in regular/rental rehabilitation projects. Due to the extensive nature of projects, the AHS develops the scope of work prior to contractor walk-through. This scope of work is then available at the contractor walk-through. The AHS must schedule this walk-through with the top two selected contractors and homeowner with all parties present.

Coordination of walkthroughs will ensure that contractors are treated fairly, and all parties involved have the opportunity to review the project, ask questions and develop solutions if necessary. If a contractor discovers substandard conditions unknown by the owner and/or AHS or the contractor(s) needs clarification on a work item or prescribed method of rehabilitation, the AHS will revise the scope and forward it to both contractors with a new ten-day deadline.

When revisions occur, it is best to consult with the City's Building Safety Division to verify that any proposed changes comply with accepted practices and applicable building codes.

D. Eligible & Ineligible Work Items

The City's housing rehabilitation programs are designed to improve the living conditions of low and moderate income Tempe households. Improvement of these conditions may entail eliminating immediate threats to health and safety and code violations, providing increased accessibility, or increasing energy efficiency and water conservation, among others. Within this definition, there are several eligible activities that can be undertaken, however, the City does not complete work considered to be remodeling.

1. Eligible Work Items

The City's Housing Improvement Programs focus on eliminating threats to personal safety and generally improving the living conditions of low and moderate income Tempe residents. Within this definition, the City allows the repair/replacement of the following building components:

- Non-functioning bathrooms kitchens
- Roofs
- Foundations
- Floors/ceilings/walls
- Plumbing, electrical and HVAC systems or system components
- Water/sewer service lines
- Structural defects

- Accessibility impediments, (i.e. bathrooms, entrance and egress, plumbing fixtures, etc.)
- Code violations cited and documented by the City's Neighborhood Enhancement Division
- Doors/windows
- Interior and exterior painting
- Installation of new appliances
- Cabinetry
- Floor coverings
- Patio coverings
- Pool capping
- Siding
- Garages/carports
- Fumigation
- Masonry
- Carpentry
- Soffits/fascia
- Weatherization and energy efficiency upgrades
- Lead-based paint mitigation and abatement
- Activities related to preservation of historic structures
- Fences/block walls
- Other work not listed above and as approved by the Housing Services Division

Activities funded as emergency rehabilitation must be completed in order to eliminate an immediate threat to the health and safety of household occupants. The Housing Services Division reserves the right to determine whether or not requested work qualifies as an emergency.

2. Ineligible Work Items

Under no circumstances will the City of Tempe finance any of the following work items:

- Additions to the home (unless the addition is a bathroom in a dwelling without one)
- Barbecue pits
- Alarm systems
- Draperies
- Dumbwaiters
- Fire extinguishers
- Gazebos
- Television antennae
- Kennels
- Tree surgery (unless posing an immediate threat to life or

- property)
- Wet bars
 - Installation of new swimming pools or Jacuzzis
 - Bathhouses
 - Cabanas
 - Fireplaces/hearths
 - Greenhouses
 - Microwave ovens
 - Tennis courts
 - Valance or cornice boards
 - Other requested work items considered by the Housing Division that may be considered remodeling in nature

IX. Environmental Standards

Pursuant to federal regulations in 24 CFR 92 and 24 CFR 570, the City's use of CDBG and HOME funds requires a review of activities for any adverse effects on the environment. Attendant with this review, the City prepared an Environmental Review Record (ERR) to document the steps taken to ensure compliance with environmental standards.

In the course of completing the ERR, the City determined that housing improvement program activities will require on-going environmental review with respect to: historic preservation; floodplain management; and radioactive materials and nearby hazardous operations. Other environmental factors reviewed are included in the ERR; this review and clearance applies to all rehabilitation projects conducted through the Housing Improvement Program. Copies of all environmental review documentation are included in individual project files and cataloged in the ERR.

A. Historic Preservation

Section 106 of the National Historic Preservation Act requires that housing rehabilitation projects financed with federal funds undergo a historic preservation review. The City of Tempe maintains a Historic Preservation Office (HPO) and consultation with this office is the first step in satisfying the Section 106 review requirement.

Once an applicant is determined to be eligible to receive assistance, the assigned AHS forwards the address and parcel number to the City's HPO for initial review. If the HPO determines that the property is not listed nor eligible for listing on the local, State or National Registers of Historic Places, there likely be no historic preservation concerns at the subject property. Though the City HPO may determine that a property is not historically significant, all projects must be reviewed and approved by the Arizona State Historic Preservation Office (SHPO) prior to commitment

or expenditure of federal funds. Consultation materials to submit to SHPO include:

- Cover Letter describing the City HPO's local findings
- Site photo(s)
- Scope of work
- Area map
- Maricopa County Assessor's parcel information
- Correspondence related with consultation with the City of Tempe HPO

The materials must be sent by certified mail in order to document receipt of submitted materials by SHPO. By regulation, SHPO has 30 days from receipt of materials to object to a project. If SHPO fails to object within this time frame, the City may proceed with the project as proposed.

B. Floodplains

Per 24 CFR Part 55, the City must determine the floodplain status of all properties prior to commitment or expenditure of federal funds. The Housing Division will review FEMA floodplain maps on a case-by-case basis to determine which, if any, properties are within a floodplain. For those properties in floodplains, flood insurance will be required. Copies of the appropriate floodplain map (and insurance policy, as applicable) will be kept in individual project files, and documented in the Environmental Review Record.

C. Radioactive Materials and Nearby Hazardous Operations

Per 24 CFR Part 51 Subpart C, the City must determine whether project sites are located in the immediate vicinity of hazardous or radioactive materials. To determine proximity to these hazards, the responsible AHS requests a review of the project by the City of Tempe Fire Department, which maintains records of hazardous and radioactive materials throughout the City.

D. Lead-Based Paint

As federally-funded projects, the City's rehabilitation activities require lead-based paint evaluation. The AHS first makes a determination as to whether or not a project qualifies for an exemption to the lead requirement (see Lead-Based Paint *Exemptions Checklist*). For those projects that do not qualify for an exemption, the City must complete a Lead Risk Assessment and obtain a report documenting the presence of all lead hazards at the project site. If the report indicates no hazards, then the City's lead obligations are fulfilled. If lead hazards are present, then the

City must mitigate or abate all hazards present. For projects that will spend \$25,000 or more in CDBG or HOME funds, a regular abatement (removal) will be required. Projects that will spend between \$5,000 and \$24,999 in federal funds may undergo mitigation (covering up hazards). Projects that will expend less than \$5,000 will also require mitigation, but do not require a Lead Risk Assessment. A presumption of the presence of lead-based paint is acceptable with appropriate mitigation methods (interim controls) used on any affected painted surface.

Additional details covering the handling of lead-based paint in federal programs can be found at 24 CFR 570.

E. Required Documentation

Since a majority of the City's activities include only housing rehabilitation, the City generally only needs to review projects on a case-by-case basis for compliance with historic preservation, floodplain and radioactive/hazardous materials. All documentation and correspondence related to the review of these factors shall be included in the individual project files.

Once this review is complete, the responsible AHS will complete a HUD *Level of Environmental Review* Form and a *2008 Appendix A* form. A Certifying Officer must sign these forms in order to complete the environmental review. For CDBG-funded projects, there are three Certifying Officers: the Community Development Department Manager, Community Development Department Deputy Manager and the Housing Services Division Administrator. For HOME-funded projects, the AHS submits environmental requests and supporting documentation to the Maricopa County Community Development Department.

X. CONTRACTOR SELECTION / INSPECTION

A. Eligibility & Ineligibility of Contractors

The City's Financial Services Department, Procurement Division, in consultation with the Housing Division, determines eligibility of contractors. The City issues a Request for Proposals to obtain contractors per regulations at 24 CFR 570 (CDBG) and 24 CFR 92 (HOME). Due to the variety of rehabilitation activities requested by program participants, the City requires that all contractors obtain and maintain a Residential General Contractor's license through the Arizona Registrar of Contractors. All approved contractors must also maintain the proper insurance in order to remain on the approved list.

Currently there are eight (8) general contractors on this list. The City may

elect to extend agreements with contractors for up to two years before issuing another general RFP.

B. Emergency Rehabilitation Contractors

Due to the emergency nature of these projects, the City does not require that multiple bids be submitted for emergency grant projects. At the beginning of the program year, contractors on the list are randomly ordered then pulled on a rotating basis. After the Housing Division qualifies each emergency grant applicant, the next available contractor on the list is pulled and assigned to the project. Should a contractor abandon a project before completion, an owner terminates a contract, or any other circumstance that prevents the contractor from finishing the work, the City will pull the name of the next contractor on the rotating list to complete the work.

C. Regular and Rental Rehabilitation Contractors

For regular and rental rehabilitation projects, the Housing Division uses the same list of contractors as are used in the emergency grant process. However, instead of pulling names from a rotating list as projects are approved, federal regulations require that we obtain a minimum of two (2) bids for each project. For this reason, the City requires that property owners select four (4) contractors from the available list and document this selection on a *Contractor Selection Affidavit* prior to the initial inspection.

Two of these four contractors will be invited to bid on the while the other two will serve as alternates. They will be contacted should one or both of the initial contractors opt out or are removed from the project prior to completion.

XI. CONTRACTOR BIDS

A. Bid Submission

In emergency rehabilitation projects, once the AHS has completed the scope of work, s/he forwards it to the contractor(s) selected to bid on the project. This may be done by fax or mail. Completed bids must be returned by either fax or mail within ten (10) business days of from the opening date. Should a contractor fail to submit a bid within this timeline, the Housing Division may consider an extension of up to two days if the contractor requests an extension in writing that outlines a reasonable and justifiable reason for missing the deadline. Granting bid submission extensions is at the sole discretion of the Housing Division.

If a contractor does not meet the bid deadline and does not request an extension, the Housing Division will seek additional bids for the project. For emergency grant projects, the AHS will contact the next contractor on the rotating list and set up another initial inspection. This contractor will then have ten (10) business days from the inspection to submit their bid.

For regular rehabilitation projects, two contractors are invited to bid on projects. Should one fail to submit their bid by the deadline, they will automatically be excluded from participating in the project and the contract will be awarded to the timely bidder. If both contractors fail to submit their bids by the deadline, the AHS will contact the alternate contractors chosen by the owner, schedule a walk-through and provide the new contractors with the scope of work. The alternate contractors will then have ten (10) business days to submit their bids.

B. Bid Review

1. In-House Estimates

Once bid(s) are received from the selected contractor(s), the AHS will review the bid(s) for completeness. The AHS will evaluate the reasonableness of bid values by consulting established reference sources. Examples of reference sources include:

- *HomeTech Remodeling and Renovation Cost Estimator*
- *National Construction Estimator*
- *National Repair & Remodeling Estimator*
- *National Renovation & Insurance Repair Estimator*
- Other contractors and subcontractors
- Other cost estimator materials available

Though the source of bid estimates may originate from numerous sources, current cost estimate figures should be updated regularly in the Respec 7 software. The AHS uses this software to develop an In-House Estimate prior to the bid review.

2. Allowable Variances Between Bids and Estimates

If the value of a contractor bid exceeds the In-House Estimate, then the AHS must determine the cost variance between them and act accordingly:

- If the bid value is within 15% of the In-House Estimate, the bid will be accepted as is
- If the bid value is between 15% and 20% of the In-House Estimate, the bid will be further reviewed and further information obtained from the contractor to justify the excess cost

- If the bid value exceeds 20% of the In-House Estimate, the bid will be rejected

3. *Bid Acceptance*

Once the bid has been reviewed for completeness and the cost reasonableness determined, at least two Housing Services Division staff must sign off on the bid, and the AHS will also complete a *Bid/Change Order Review* form. Finally, the owner must sign off on the bid.

C. **Elimination of Work Items**

Should the bid amount(s) exceed available funding, the AHS will work with the homeowner to pare down the scope of work. Certain work items may not be removed from the scope of work, including: code violations, health and safety concerns and lead-based paint mitigation/abatement. Within this limitation, the AHS and homeowner will discuss the owner's priorities for which work will be completed. The ultimate value must account for a 5% contingency in all projects

D. **Contingencies**

During the course of rehabilitation, unforeseen conditions may be present that merit a change order. In these events, additional funding will be required. For this reason, prior to commitment of CDBG and HOME funds, the AHS will include a 5% contingency in all contracts to ensure that there is sufficient funding in the event of a necessary change order. For emergency rehabilitation projects this contingency shall be at least \$375. Regular and rental rehabilitation projects shall have a contingency of at least \$1,750.

XII. **The Loan Process**

This section applies only to regular and rental rehabilitation projects, as the City provides emergency assistance through grants that have no repayment obligation. All regular and rental rehabilitation projects are subject to the loan provisions provided in this section.

A. **Preliminary Risk Analysis**

Once the Housing Services Division determines an applicant's income eligibility, the AHS must submit documentation to Amerinational to gauge the applicant's eligibility for a loan. The AHS will submit a loan application and the applicant's income and asset documentation to Amerinational for its preliminary risk analysis.

Amerinational will request a property appraisal which will assist in determining the value of equity the owner has in a property. If the applicant's income is not sufficient to carry a payment or their debt too high, they may be rejected or they may be recommended for a regular deferred loan (see section B, below). If the amount of equity in the property, combined with the value of the rehabilitation assistance, is greater than 95% of the appraised value, their loan application will be rejected.

Should an applicant object to the results of the appraisal, they may obtain one from a licensed appraiser at their own cost.

B. Final Loan Recommendation

Once bids are received for the project and a final cost determined, the AHS forwards this information to Amerinational which will determine a final loan recommendation. Amerinational reviews four factors in making this determination, including: income, debt to income ratio, percentage of equity in the property and age/disability status of the head of household.

Based on these criteria, Amerinational may recommend either a fully deferred loan or a partially amortized loan. Deferred loans carry no interest and require no regular payment, and will only be repaid through sale, conveyance or alienation of the property. An amortized loan carries a low interest rate and an affordable regular payment. If a property owner with an amortized loan sells, conveys or alienates their property, the full balance of the remaining loan funds must be repaid upon sale, conveyance or alienation.

C. Deed of Trust and the Deed of Release and Reconveyance

All loan financing distributed through the City's housing improvement programs will be secured with a lien placed on each assisted property. The Deed of Trust will be filed with the County Recorder's Office, and will be released through a Deed of Release and Reconveyance. The Deed of Trust will carry a value equal to all costs of rehabilitation undertaken through the program, including construction and loan costs. The City will issue the release once the property owner has repaid the full value of the original Deed of Trust. This repayment may be completed as a cash payment directly from the homeowner, or through sale, conveyance or alienation of the property. The Deed of Trust will be in effect in perpetuity until such time as its full value is remitted to the City.

As the purpose of the program is to maintain affordability of housing for low and moderate income households in Tempe, the City will allow conveyance of property without repayment under limited circumstances.

Property owners with a Deed of Trust in effect on their property may convey ownership to a member of their immediate family if that family member will use the property as their primary place of residence, and possesses a total household income at or below the HUD prescribed income limits at the time. All other types of conveyances require repayment of the loan at closing.

D. Subordination

When the City effects its Deed of Trust on a property, it will subordinate its interest only to the first lien-holder (usually the applicant's primary mortgage holder). However, the City may consider an additional subordination agreement under the following two conditions: 1. the homeowner incurs extraordinary medical expenses; and/or 2. the homeowner wishes to refinance with a reduction in the rate and/or term of their mortgage.

The City will not consider a subordination agreement for home equity loans (cash outs), debt consolidation or other situations not included in the previous two conditions.

If a property owner qualifies and is allowed a subordination agreement, the following documentation must be provided:

- Subordination Agreement – from the title/mortgage company
- Pre-Audit Settlement Statement
- HUD-1 Settlement Statement
- Uniform Residential Appraisal Report
- Good Faith Estimate & Truth in Lending Statement
- Uniform Residential Loan Application
- Current Promissory Note and Deed of Trust Securing Note

Additional details regarding subordination can be found in the City's *Lien Subordination Requirements* form.

XIII. Housing Improvement Contracts and the Notice to Proceed

Once pre-contractual obligations are met and prior to contract execution, the responsible AHS will forward to the project file to the Affordable Housing Supervisor. The supervisor will review the file for completeness and may require the AHS to modify the file if it does not comply with files maintenance standards. The contract may not be executed prior to the Affordable Housing Supervisor's approval of the file. Once the AHS receives this approval, s/he will schedule an appointment with the contractor and the homeowner to execute the contract. It is generally advisable to have these two parties present at the same time in case either party has any questions prior to contract execution. The following sections

describe the provisions of the contract and are not exhaustive.

A. Equal Employment Opportunity (EEO) Requirements

24 CFR 570 requires that specific language related to EEO be included in all contracts executed through the City's Housing Improvement Programs. Specifically, the EEO clause requires that contractors and subcontractors agree to not discriminate among their employees based on race, religion, sex, creed, color, disability or national origin. Actions covered by this clause include those related to: employment, upgrading, demotion, transfer, recruitment, recruitment advertising, layoffs, termination, rates of pay or other compensation and training selection or apprenticeship. Furthermore, the contractor also agrees to include language covering EEO in all subcontracting agreements.

B. Contract Parties

The City of Tempe is not a party to Housing Improvement Contracts executed through its rehabilitation programs. Only the General Contractor(s) and property owners will execute these contracts.

C. Subcontractors

The General Contractor under contract with the owner may select any subcontractor that s/he wishes in order to complete work that they are not willing/able to complete with their own staff. However, the General Contractor is responsible for the actions, cleanliness and quality of work completed by their subcontractors. Should a subcontractor fail to perform adequately, it is the General Contractor's responsibility to rectify any improper conduct or otherwise poor performance by all subcontractors associated with the project.

D. Performance Timeline

The contract stipulates that all work shall be completed within sixty (60) days of the Notice to Proceed. Should events arise beyond the contractor's control that will prevent completion of the work within this timeframe, the contractor must submit a written request for an extension to the Housing Division.

E. Insurance Requirements

In order to participate in the City's rehabilitation programs, all contractors must obtain and maintain a minimum of \$500,000 in public liability insurance. Said coverage must protect the property owner and the City from all damages that may occur in the course of rehabilitation.

Contractors must also maintain Workmen's Compensation coverage. Certificates of insurance must be on file with the City at all times. Failure to obtain and maintain proper insurance will be grounds for contract termination and/or termination from the program.

F. Change Orders and Additional Advance Funding

During the course of rehabilitation, unforeseen events or conditions may require that additional work be completed that was not anticipated during the initial development of the scope of work. In these instances, a change order will be required. The procedures for authorizing and completing changes orders are as follows:

1. Eligibility and Allowable Work Items

Change orders may be requested by the contractor, owner or staff of the Housing Division. The circumstances warranting a change order must reflect a justifiable need unforeseen during development of the initial scope of work. Unforeseen code violations required to finalize a Building Permit, previously unknown damage to roof sheathing, and other defects exposed during the course of rehabilitation are examples of circumstances that warrant a change order. In general, work covered under a change order request should be directly related to the original scope of work in some way. The Housing Division reserves the right to determine the eligibility of change order requests on a case-by-case basis.

2. Review and Approval

Prior to completion of the work prescribed by the change order, the contractor must submit a description of the additional work to be completed as well as a fixed price. If the description of the work is vague, the responsible AHS will call the contractor for clarification. Any verbal changes to the contractor's written description must be included on the change order request and initialed by the contractor, owner and the AHS.

Once all parties agree to the revised scope of work, the AHS must complete a Bid/Change Order Review to verify the reasonableness of the cost. All change order requests must be reviewed and approved by the Affordable Housing Supervisor. Once the Affordable Housing Supervisor authorizes the change order, the AHS will complete a Change Order form and obtain signatures from the contractor and the owner. Attach the contractor's written description and price. All change orders will become part of the

Housing Improvement Contract.

3. *Additional Advance Funding*

In addition to change orders, the City may allow other types of unforeseen work at a project site. Additional advance funding, which applies to regular/rental rehabilitation projects, may be authorized for work unrelated to the original scope of work. In the event that an unknown or unforeseen condition develops or worsens during rehabilitation, the City may add these items into the scope of work. Once authorized, the City will modify the total loan amount to include the value of this additional work. The key difference between additional advance funding and change orders is the relationship with the original scope of work. Change orders may only be authorized if the work is related to the original scope of work. Additional advance funding may be authorized for work unrelated to the original scope of work.

For example, a change order may be allowed to replace rotted roof decking where the scope of work requires a roof tear off and replacement. In this case, though the condition of the decking was unknown previously, replacement of the rotted sheathing is directly related to the overall roof replacement.

An example of a situation that allows additional advance funding may include the replacement of a heat pump after rehabilitation begins. While the heat pump may have been functioning at the time the scope was developed, if it becomes non-functioning during rehabilitation, the City could authorize additional advance funding to correct the condition.

G. **Permits and Licenses**

As stipulated in Section 14 of the Housing Improvement Contract, contractors will be required to secure and maintain all permits and licenses during the course of rehabilitation. Contractors will be required to secure a Building Permit from the City's Building Safety Division, as required by City Code, as well as any permits from utilities or other regulatory agencies. Prior to final payment, contractors must demonstrate that all permits obtained in the course of rehabilitation have been finalized.

Contractors must also maintain their license through the Arizona Registrar of Contractors at all times during their participation in the City's rehabilitation programs. If a contractor's license becomes suspended or revoked at any point, the Housing Division will suspend the contractor from participating in the program. If the contractor is currently under

contract at a project site, the AHS will notify the contractor that they need to stop work immediately until such time as the license is renewed or reinstated. Failure to obtain a renewal or reinstatement may be cause for termination of the Housing Improvement Contract. The AHS must notify the homeowner that the contractor's license is no longer valid and request a decision from the homeowner as to their desired course of action.

If a contractor is not currently working at a project site, they will be ineligible to bid on any projects until such time as their license is renewed or reinstated. In the case of emergency grant projects, the Housing Division will suspend the contractor from the rotating list. For regular/rental rehabilitation, the Housing Division will not allow an owner to select the ineligible contractor for bidding.

H. Termination

The City of Tempe is not a party to Housing Improvement Contracts, and cannot terminate such contracts. Only the owner or contractor may terminate a contract if either party violates the provisions set forth therein. Contracts may terminate based on any breach or violation, including: lack of insurance, suspension/revocation of a license, failure to perform, inaccessibility to the property, or any others described in the contract. The party seeking termination shall notify the other party in writing, making sure to include an explanation of the breach and allowing the offending party two (2) days to rectify the breach. If after two days the breach has not been resolved, then the contract is terminated.

In the event that a contract becomes terminated, another contractor will be obtained to complete the balance of work at the project site by using the process outlined in Section X, *Contractor Selection/Inspection*.

I. Quality of Workmanship and Standards for Rehabilitation

At all times, the contractor must ensure that the conduct of workers is held at professional standards and that the quality of workmanship complies with professional standards. The City will gauge quality of work through comparison with the Maricopa HOME Consortium's *Minimum Basic Housing Rehabilitation Standards* and local building codes to determine if work has been completed in a satisfactory method.

The contractor must also certify that quality of workmanship and materials for a period of two years from the date of the Notice of Completion and rectify any issues brought to his or her attention within this timeframe. Any conflicts that arise as a result of the contractor's failure to comply with this provision will be handled through the Arizona Registrar of Contractors. Finally, the contractor must also provide the homeowner

with all manufacturers' warranties for materials used during rehabilitation.

J. The Notice to Proceed

At the contract signing, the responsible AHS will present the contractor with the Notice to Proceed (NTP). This document instructs to contractor to begin rehabilitation work within five (5) days of the date of the Notice. The NTP also reminds the contractor of three important contractual clauses: 1. the requirement for change orders if the scope of work needs to be amended; 2. the contractor's responsibility to obtain building permits (as required); and 3. the 60-day completion timeline.

If a contractor requires additional time to begin the rehabilitation, they must submit, in writing, a request for an extension to be approved by the Housing Division. The contractor must offer a compelling reason as to why they are not able to begin the work within the required schedule.

XIV. Interim/Monitoring and Final Inspections

A. Interim/Monitoring Inspections

During the course of rehabilitation, the AHS will monitor the progress of projects by completing interim (monitoring) inspections. The number of inspections may vary, and is left at the discretion of the AHS assigned to the project. However, at least one monitoring inspection will be completed prior to the final inspection.

For projects with a small scope of work and quick completion time, one inspection may not be possible. However, the scale and timeline of a typical rehabilitation project usually allows for at least one or two site visits. Monitoring visits may be initiated by the AHS, the owner or the contractor at any time during the rehabilitation process, and a monitoring inspection must be completed prior to approval of an interim payment to a contractor. The AHS will take photographs of completed work during all inspections.

For projects that require building permits, it is the contractor's responsibility to obtain the requisite permit and comply with the City of Tempe's Building Safety Division with respect to its inspection requirements.

B. Final Inspections

Prior to approval of a final contractor payment, the AHS must complete a final inspection at the project site. The owner and contractor are required to attend this inspection in order to ensure that all parties involved

regularly understand the nature of the work completed and agree that work was completed properly. Be sure to take pictures of all items completed in the scope of work.

For those projects that require a building permit, the contractor must arrange for a final inspection with the City's Building Safety Division. The Housing Division will not pass a final inspection until the Building Safety Division has inspected and approved all work, and finalized the building permit. The Housing Division will determine work to be satisfactorily completed if the work complies with the Maricopa HOME Consortium's *Minimum Basic Housing Rehabilitation Standards*.

In addition to verifying the satisfactory completion of the scope of work, the AHS will also remind the owner and the contractor of their respective on-going contractual obligations. Both parties will be reminded that Section 12 of the Housing Improvement Contract stipulates that the contractor must guarantee the quality of material and workmanship for one (1) year from the date of final acceptance of all work (date of the Notice of Completion). The contractor must also provide the owner with any/all manufacturers' and/or suppliers' guarantees or warranties associated with the materials and equipment used during rehabilitation.

C. **Notice of Completion**

Once all work is satisfactorily completed and inspected by the Housing Division, the AHS will provide a Notice of Completion to the homeowner. Prior to the issuance of a check and file closure, the owner must sign off on all work completed. The Notice of Completion will be filed at the County Recorder's Office.

In the event that an owner refuses to sign the Notice of Completion, the City may sign off on the work if the City feels that rehabilitation has been completed according to the contract and acceptable professional standards. If necessary, the AHS will contact the Arizona Registrar of Contractors to determine if work was completely properly.

XV. Contractor Payments & Financial Management

A. **Contractor Payment Forms**

All requests for payment must be documented on a Contractor Payment form signed by the contractor and owner. Prior to authorization of payment, the **original** of this form must be submitted to the AHS for review by the Affordable Housing Supervisor and the Grants Accountant. The AHS must also certify that the work claimed for payment has been inspected for completeness and quality of work and approved for payment.

There is no limit on the number of payments that a contractor may request, though emergency grant projects typically require one or two payments and regular/rental rehabilitation projects typically require up to four payment requests.

B. Lien Waivers

Prior to approval of any interim or final payment, the contractor must submit a signed lien waiver. The waiver stipulates that the contractor has or will provide all payments to laborers, including subcontractors, suppliers and other parties involved in the rehabilitation for services, materials and/or equipment employed for the purpose of rehabilitation. Further the waiver releases any mechanics' liens, state or federal bond rights or additional claims for payment for the same work.

C. Financial Management Standards

The Housing Division's Grants Accountant provides internal financial oversight of the City's housing improvement programs. Internal controls used by the Grants Accountant are based on regulations at 24 CFR 570 and 24 CFR 92, which govern the federal CDBG and HOME programs, as well as criteria set forth by the Governmental Accounting Standards Board (GASB) and in Generally Accepted Accounting Principles (GAAP).

D. Issuance of Checks

Once a payment request has been approved by all levels within the Housing Division and forwarded to the Financial Services Department's Accounting Division, a check will be issued to contractor within 30 days. The contractor may request that the check be held so that s/he can pick it up at the Housing Services Division. Otherwise, the check will be mailed to the contractor upon receipt by the Grants Accountant.

If a contractor opts to pick the check up at the Housing Services Division office, the AHS must obtain a copy of both sides of the recipient's state-issued identification and a copy of the check. These copies must be forwarded to the Grants Accountant.

XVI. Project Closeout

Once the contractor completes work as described in the Housing Improvement Contract and the approved Scope of Work, the AHS will schedule a final inspection with the contractor and the homeowner. The AHS must take pictures of all completed work items for inclusion in the project file.

The AHS will also obtain the final *Contractor Payment Request* and *Final Lien Waiver*. After the property owner signs the Notice of Completion, the AHS notarizes it and submits it to the County Recorder's Office.

The AHS then completes the following close-out tasks:

- Enters appropriate data into the Demographics Report
- Posts the project to the Lien Tracking Report
- Completes the Performance Measures report
- Inputs remaining data into Rehab Pro, including: contract/contractor data, inspection dates and results and the file checklist. Print the Rehab Pro reports and insert on the top right side of the file. The Performance Measures report should be placed on top of the Rehab Pro reports.

The AHS then forwards the file to the Affordable Housing Supervisor for final review and approval. The Affordable Housing Supervisor checks to ensure that the file is complete and forwards the file to the Grants Accountant for final payment processing.

XVII. On-Going Monitoring

HOME regulations require that assisted rental units undergo yearly monitoring by HOME fund recipients. For this reason, all rental units that receive rehabilitation assistance must be inspected and recertified on an annual basis throughout the City's five-year monitoring period.

The Housing Division will recertify assisted households according to income and rent levels. On the anniversary of the original income documentation or at the time of lease renewal, the owner of project site (landlord) must obtain documentation to reverify the incomes of his or her tenants. If the tenant's income has grown to exceed 80% of AMI, then the rental rate of the unit will be raised to 30% of the tenant's monthly income. New tenants must possess incomes at or below 60% of AMU at initial lease signing.

The Housing Division will also work with property owners to maintain the affordability of rents throughout the five-year monitoring period. Maximum rental rates during this period must be the lesser of: the Section 8 Fair Market Rents (FMRs) for existing housing, or 30% of the adjusted income of a family whose annual income equals 65% of AMI. Income and rental rate documentation must be kept current and in the project file at all times.

In addition, the Housing Division must ensure that tenants dwell in livable conditions throughout the monitoring period. For this reason, the Housing Division staff will complete an annual HQS inspection and require that any housing deficiencies be eliminated by the property owner.

Finally, HOME regulations require that the Housing Division recertify recipients of owner-occupied regular rehabilitation assistance. Owners must recertify annually that they continue to own and maintain the assisted property as their primary residence.

Appendix A



Maricopa HOME Consortium (October 4, 2005)

Minimum Basic Housing Rehabilitation Standards

Preface

- I. Site Conditions
- II. Foundations
- III. Structural Integrity
- IV. Roofs
- V. Interior Walls
- VI. Kitchen Facilities
- VII. Baths
- VIII. Bedrooms
- IX. General Electrical
- X. General Plumbing
- XI. Weather Tightness
- XII. Re-roofing Specifications

Preface:

The purpose of these standards is to establish guidelines, define when the Entitlement Community will undertake a rehabilitation project, and what must be accomplished to qualify the project as a success as dictated by the Uniform Housing Code.

HUD regulations require that all houses receiving major rehabilitation work be brought up to a minimum standard. This document represents the Maricopa HOME Consortium's efforts to meet HUD's requirements. Although the text of this document makes reference to Entitlements, the intent is an agreed upon rehabilitation standard for each member of the Maricopa HOME Consortium as a collective. Each member may exceed the standard herein.

The Maricopa HOME Consortium Minimum Housing Rehabilitation Standards are derived from the standards established by the (NARRP) "Nationally Applicable Recommended Rehabilitation Provisions" of May 1997*, which are based on the provisions of the Uniform Building Code (UBC), Uniform Housing Codes, and HUD Section 8 Minimum Housing Quality Standards.

The NARRP was prepared for HUD by the NaHB research Center, Inc., Building Technology, Inc., Koffel Associates, Inc. And Melvyn Green and Associates, Inc. For purposes of this document the following definitions are applicable:

Rehabilitation: A method to provide decent, safe and sanitary housing to low and moderate-income individuals; it is not a method to provide remodeling and/or renovation.

Standard Housing: A well-maintained residential structure constructed on a permanent, stable foundation exemplifying solid structural integrity reflecting weather tightness that insulates against the elements and that incorporates the basic mechanical systems of plumbing, electricity, heating, hot water, toilet facilities, and kitchen facilities as prescribed in the UBC.

Sub-Standard Housing: A residential housing unit that lacks any of the following: A permanent solid foundation, exemplifies a lack of structural integrity and weather tightness; lacks minimal insulation, has deficiencies in the basic mechanical systems in that they do not meet current UBC, or evidences deferred maintenance to the degree that the structure becomes subject to increased decay.

The following standards are set forth only as minimum standards and should be reviewed by contractors, developers, homeowners and city/county officials as minimum requirements that provide guidance in undertaking rehabilitation projects. Consideration will be given to the requirements established by the Entitlement Community's Building Department and Fire Department, prior to beginning rehabilitation work. Some of the standards may exceed minimum code requirements of the Uniform Housing Codes but they are being presented to meet minimum quality standards required by HUD.

This Rehabilitation Standard recognizes the National FHA standards as a base quality guide which is used in local and state requirements for housing construction. National standards for housing include:

UBC - Uniform Building Code
UPC - Uniform Plumbing Code
ASTM - American Standard Testing Material
NEC - National Electrical Code
*ASHRAE - American Society of Heating,
Refrigeration, and Air
Conditioning Engineers*
Radon Gas Regulations
Section 504, Rehabilitation Act of 1973
Fair Housing Amendments Act of 1988
American with Disabilities Act of 1992
Fair Housing Accessibility Guideline
Model Energy Code (MEC)
Flood Plain Regulations
Noise Regulations
Asbestos Regulations
Lead Base Paint Poison Prevention Act
High Pressure Gas Regulations
PCB Regulations
NFPA - National Fire Protection Association
Wet Land Regulations
Uniform Federal Accessibility Standards
American National Standards Institute
*Minimum Property Standards for
Multifamily Housing HUD 4910.1*
Termite Control Requirements

I. Site Conditions must meet the following criteria:

Positive Drainage: All drainage on a site should drain away from the house and other accessory buildings, but not toward any adjoining houses or structures. Drainage should be toward the street, alley, or easement, and facilitated by elevation around structures or construction of swales.

Architectural Barriers: In recognition of the Americans with Disabilities Act, every effort should be taken to remove barriers to the handicapped or elderly. These will include installation of handrails on staircases with more than three tiers, ensuring that the height of each step does not exceed four to seven inches in height and nine inches in tread width. When pouring new sidewalks and stoops, ramping should be considered as an

alternative to steps. Tripping situations caused by uplifting of sidewalks, tree roots, or other barriers should be removed.

Holes or Depressions: Holes or depressions of more than six inches in diameter should be filled to correct drainage problems and remove safety hazards. **Trees, Bushes and Grassed Areas:** Trees that present a safety hazard because electrical wiring runs through them must be trimmed as directed by SRP or APS electrical utilities. Trees that could damage the structural integrity of an adjoining building above or below the foundation should be removed. All unsightly and overgrown trees in the yard and in the right-of-way should be trimmed as prescribed by the Entitlements Codes. Bushes and brush in a yard should be trimmed in the same manner, but any vegetation on the property line will require approval in writing by the adjoining property owners. While the installation of grass is not proposed to be a standard, the property owner is required to keep all ground vegetation below eight inches, excluding flowers and other similar plants. However, the maintenance of lawns is strongly encouraged.

Dilapidated and Accessory Buildings: Any structure that is in a state of disrepair or collapse must be repaired or demolished, and any collection of building materials.

Bulk Trash: Bulk trash, including refrigerators, stoves, washers, dryers and other appliances; un-licensed automobiles and other vehicles; and improperly stored construction materials or firewood, is bulk trash and should be removed or appropriately stacked as prescribed by the Entitlement's Nuisance Ordinance.

Sidewalks: All accesses to residential structures should have a three and a half foot of sidewalk that connects with other sidewalks or driveways to provide access to the house that can be maintained for safe passage. Sidewalks from rear door entrances to garages, garbage disposal areas, and around to the front are not required and need not be provided unless they are needed to control drainage conditions.

Storm Gutters and Driveways: Deteriorated gutters on streets that impede drainage or cause a safety hazard should be reinstalled. This also applies to driveway approaches. Deteriorated driveways should be replaced as a second priority item; meaning that if the cost of rehabilitation exceeds prescribed thresholds they may be left as is. The installation of driveways is encouraged but is not necessary if costs reach predetermined thresholds.

Quality Standards Threshold: The property shall be free of those foreseeable hazards and adverse conditions which may affect the health and safety of the occupants or the structural soundness of the improvements, or which may impair the customary use and enjoyment of the property. The hazards include toxic chemicals, radioactive materials, other pollution, hazardous activities, potential damage from soil or other differential ground movements, ground water, inadequate surface drainage, flood, erosion, or other hazards located on or off site. The site must meet the standards set forth at 24 CFR Part 51, and HUD Handbook 4910.1, Section 606 for termite and decay protection.

II. Foundations must meet the following criteria:

Stability: The foundation must be stable and not sinking, window openings must be level, and top of foundation at base of structure must be level. The foundation should also be constructed of solid concrete meeting the Entitlements building codes. Reconstruction of foundations must adhere to the Entitlement's foundation design including the installation of rebar. Lack of stability beyond a reasonable level will preclude rehabilitation being undertaken. **Collapsed Sections:** Collapsed sections of foundations must be reconstructed as prescribed by the Entitlement jurisdictions code or a stamped engineer's blueprint. Consideration should be given to the degree to which the remaining foundation meets the minimum UBC.

Cracks: Inspectors should evaluate foundations to identify cracks, particularly at window areas. All cracks must be filled with epoxy, cement, and filled with appropriate cement materials. All cracks with more than a 1/8 inch spread must be investigated by a licensed engineer and have an appropriate treatment applied, if economically feasible.

Inappropriate Construction: All foundations constructed of brick, unfilled cement block, cinder block, mixtures of rock and cement, railroad ties, and other treated wood are unacceptable and will disqualify a structure from receiving rehabilitation unless the areas with faulty foundations can be reconstructed economically.

Spalling Foundation: Spalling refers to the condition exemplified by crumbling gravel or rock, decaying concrete, collapse of foundations in sections that do not expose dirt on the outside, etc. When these conditions exist, foundations must be treated with epoxy and concrete mixtures that will correct major deficiencies. Spalling of foundation surfaces of not less than one inch in depth may be left untreated, but treatment is recommended when rehabilitation cost thresholds are not an issue.

Quality Standards Threshold: Evaluation of the quality of installation and workmanship shall be evaluated against ASTM 04.01 and 04.02 for cement, concrete and aggregates or local code compliance reviews as determined appropriate by the inspector.

III. Structural Integrity must meet the following criteria:

Structural Integrity: This means that the exterior walls are weather tight and do not permit entry of water or wind into the interior. There cannot be any holes in the exterior walls, separation of siding materials, collapse of siding or deterioration of exterior siding materials. All exterior walls must be of standard construction with two-by-fours, 16 inches on center or 24 inches on new construction when appropriate. Insulation sheathing on the exterior, covered with approved exterior siding material, is to be installed when repairs are done.

Weather Tight Exterior Walls: In addition to the above siding considerations, there cannot be cavities between the exterior wall and windows, door entries, or openings at the rafters at the rim joist. All deficiencies must be corrected.

Additions: All additions to residential structures must be on a properly constructed foundation and must not evidence separation from the original structure. Many additions

in Arizona are constructed on concrete slabs that may cause separation. When these conditions exist, they may preclude rehabilitation from being undertaken.

Siding Material: Asbestos siding is not an inappropriate siding material unless it has become broken and detached and is exposing the insulation fabric to the weather. When possible, asbestos siding should be repaired. Asphalt siding is considered to be an inappropriate material by the Fire Safety Council. It may be covered by a fire retardant siding material when rehabilitation is undertaken. Only older deteriorating asphalt material will be considered for such treatment. Interior paneling, untreated plywood, sheetrock and other materials that do not hold up to the weather in the area are deemed inappropriate and must be removed.

Bearing Walls: Bearing walls in a structure should be identified and inspected for proper construction. No bearing walls may be removed when undertaking rehabilitation unless appropriate construction procedures are applied and required supports are installed to compensate for their removal.

Painting and Exterior Walls: While chipping, cracking and deteriorating paint is not a structural problem, the Entitlement's rehabilitation efforts require these conditions to be corrected. If the structure was built prior to 1978, in particularly when there are children residing in the house, the Entitlement requires that a lead-base paint analysis be conducted. When lead-base paint is found to exist on exterior walls they must be resided with an appropriate siding material. (See HUD Lead-Based Paint regulation.)

Historic Considerations: All structures in historic districts or those with architectural features that exemplify unique architectural characteristics must be given special consideration. The State Historic Preservation Office shall be involved in making specific decisions affecting these projects and on any home that was built 50 years ago or more.

Quality Standards Threshold: Evaluation of the quality of installation and workmanship shall be evaluated against ASTM 04.10 through 04.12 for wood, building construction and property management systems or local code compliance reviews as determined appropriate by the inspector.

IV. Roofs must meet the following criteria:

Roofing Specifications: Roofing specification requires that when replacing any roof with more than two layers of shingles, all roofing materials must be replaced to the deck for inspection by the Entitlement Community's Building Department prior to re-roofing. Re-roofing requires 30 lb. felt paper, and depending on the slope, T-locks, three tab, or roll roofing as prescribed by the City Code. Replacement of tile roofing or built-up roofing will be done to meet local codes.

Trusses and Supports: On structures over 50 years of age, the truss and support system of roofs must be inspected to ensure adequate construction. When deficiencies are identified, appropriate supports and truss systems must be reconstructed.

Chimneys: All non-functioning chimneys must be removed and the cavity repaired with

at least half inch weatherproof plywood. All exhaust vents must be located at least two feet above the roof; and all attic spaces must be vented through the roof or through other appropriate areas.

Slope Requirements: All roofs must have at least a four inch to one foot slope. Roof areas not having such a slope should be considered for reconstruction to meet minimum slope requirements. Reconstruction should occur whenever the reconstruction area is wider than nine feet on the stooped side and leaking cannot be prevented by installation of rolled roofing or rubberized roofing membrane.

Fascia and Soffit Board: All fascia and soffits around the perimeter of a roof should be inspected for deterioration and replaced, caulked, and painted when necessary. Houses exemplifying exposed rafters do not necessarily have to be reconstructed to cover with fascia and soffits. Fascia board, however, should be installed whenever gutters are in place or the gutters with the owners approval be removed.

Quality Standards Threshold: Evaluation of the quality of installation and workmanship shall be evaluated against ASTM 04.04 and 04.05 for roof and weatherproofing systems or local code compliance reviews as determined appropriate by the inspector.

V. Interior Walls must meet the following criteria:

Fire Barriers: Five-eighth inch Type X sheetrock is required under joist in garages that have a living area above them and on walls in garages adjoining living quarters. Five-eighth inch Type X sheetrock is also required when another structure is within five feet of the wall being reconstructed as part of the rehabilitation activity. No cardboard materials, paper materials, tar paper, or exterior insulation materials, such as fiber board, will be permitted in any walls.

All interior walls should be ½ inch sheetrock. Paneling materials must be placed over sheetrock.

Damaged Interior Walls: Holes in sheetrock must be repaired and precautions taken to prevent future damage by installation of door stops and other necessary measures. Water damaged sheetrock must be removed and replaced. In bathrooms, water proof green rock, blue rock or other similar drywall material must be utilized. Interior walls with decayed sheetrock must be repaired by installing new sheetrock, taping cracks, texturing and repainting.

Interior Trim in Baseboard: All damaged door trim and baseboard must be removed and replaced.

Paint: A lead-based paint analysis must be conducted on houses constructed prior to 1978 that evidence chipping, flaking, cracking and otherwise deteriorating paint. If testing reveals the existence of lead-based paint surfaces, they must be removed or covered as prescribed by HUD Lead-Based Paint regulations. **Ceilings:** All cracked or deteriorating ceilings require an inspection to determine the cause that generated the

problem. Every effort should be made to correct the problem before the ceiling is repaired. Cracks must be filled and retextured, and the ceiling completely repainted when treated. When ceiling material does not evidence fire retardation or solid construction, it should be replaced with ½ inch sheetrock and treated. Tile and Waterproof Areas: When there is decaying ceramic or plastic tile in bath or shower areas, the deteriorated area must be removed. Water proof sheetrock must be installed, and old or new tile reinstalled, grouted, and caulked. Backslashes in kitchens and above other sinks may also be required depending on the condition and layout of sinks and other plumbing. Minimum Interior Height Condition: All interior living areas are required to be at least seven and one-half (7 ½) feet in height. All interior door openings must be six feet, eight inches (6'8"). Rehabilitation will not be undertaken in rooms that do not provide at least seven (7) feet of head clearance.

Quality Standards Threshold: Evaluation of the quality of installation and workmanship shall be evaluated against ASTM 04.10 through 04.12 for wood, building construction and property management systems or local code compliance reviews as determined appropriate by the inspector.

VI. Kitchen Facilities must meet the following criteria:

Minimum Cabinet Requirements: All kitchens must have sufficient base cabinets to house a kitchen sink and provide at least 36 inches of usable counter-top area. At minimum, three feet of upper cabinets must be available to store dishes. These minimum requirements should be expanded to optimize kitchen storage areas, but within reasonable limits controlled by costs. When a cabinet's level of wear make it unsanitary or nonfunctional, it should be replaced. All replacement cabinets must be of minimum quality grade and approved by the project manager, prior to ordering.

Counter Tops: All counter tops showing evidence of wear, water damage, uplifting of surface material, etc. must be replaced. Replacement counter tops may include prefabricated laminated counter tops when walls are sufficiently square. When walls are not square and constructed of plaster materials, counter tops must be built in place, using a minimum of 5/8 inch plywood with plastic laminate on the plywood and on the front lip. Backsplash must be of the same laminated material or ceramic tile as prescribed by the homeowner and the City. Counter surface installations will of Formica grade or equal.

Faucets: All kitchen plumbing must be inspected to ensure that faucets and drain pipes work properly. When new counter tops require sink removal, new sinks and faucets must be provided if they show wear. All new sinks must be vented as prescribed by the Uniform Plumbing Code (UPC). New sinks must be 20 gauge (not the cheapest sinks available). New faucets must be Delta stainless steel. P-traps and other drains under the sink shall meet local Entitlement's code. Stoves, Refrigerators and Fans: Stoves, either gas or electrical, should be inspected. While the Entitlement does not usually provide stoves or refrigerators as part of the rehabilitation effort, deficiencies in appliances will be pointed out and on a case by case basis determination will be given to acquire new appliances. The Entitlement will install new fans over cooking areas.

Installation of fans sometimes requires installation of a cabinet for attachment of the fan.
Plumbing installation

Flooring: Worn flooring with uplifted tiles, missing tiles, and uplifted cracked areas, etc., require that new flooring be installed. The use of indoor, outdoor, or other carpeting is discouraged due to sanitation considerations. These conditions can be addressed by installing vinyl floor covering when the owner agrees to the treatment. The Entitlement will not install ceramic tile, vinyl tile, indoor/outdoor carpeting or wood covering in kitchen areas.

Lighting and Electrical: GFI outlet receptacles will be required on all duplex outlets within six feet of sink areas/water sources. Minimum lighting in kitchens will consist of one lighting fixture in the kitchen cooking area and one lighting fixture in an adjoining eating/dining area, if the lighting is inadequate. The use of fluorescent lighting is an acceptable alternative.

Quality Standards Threshold: In evaluation of the quality of installation all manufactured factory finished cabinets shall comply with ANSI A161.1-86, Recommended Minimum Construction and Performance for Kitchen and Vanity Cabinets, or local code compliance reviews as determined appropriate by the inspector.

All counter top material shall be phenolic laminate, vinyl plastic covering, ceramic tile, stainless steel or other material suitable for its intended use. All edges, including the sink and any built-in surface units, shall have a non-corrodible metal molding or other suitable edging.

VII. Baths must meet the following criteria:

Minimum Requirements: The minimum standard in a residential structure is as follows: One functional toilet, lavatory, towel rack, ring or hook, and either a shower or a bathtub. Any additional baths in a house, at minimum, must contain toilet stools, towel rack, ring or hook and a lavatory.

Sinks: All faucets must have hot and cold water knobs and must be in good functioning condition. The sink must have a proper drain with P-trap and be vented to the outside as prescribed by the Uniform Plumbing Code. Shut-off valves at the water line connection are required when replacements are made. Replacement of sinks will involve use of pre-finished medium grade vanities; one piece cultured marble sink tops and Delta or better faucets.

Ventilation: All bathrooms must have an operational window or a functional electric vent fan. Doors: All bathroom doors must be at least 28-inches wide by 6 feet 8 inches in height, and have locking doorknobs from the inside of the bathroom or have other ways of locking the door (standard bathroom door knobs). Where bathrooms are located next to kitchens, the Entitlement Code requires sealing gaskets on the door.

Tub Enclosures: All bath or shower facilities must have waterproof enclosures. These enclosures can include ceramic tile, plastic tile, or fiberglass molded enclosures. They may not include brick, linoleum, floor tile, or other permeable materials. On baths that do not have showers, an 18-inch high waterproof skirting must be provided utilizing any of the above acceptable materials.

Flooring: All bathroom flooring must be inspected at the base of the toilets to ensure that leaking is not occurring. When leaking has occurred and sub floor has rotted, the sub floor must be removed and replaced by half-an-inch plywood. Whenever a toilet is removed for any purpose, new toilet wax-ring gaskets must be installed. Any flooring material that permits water to seep into the sub floor is unacceptable. The Entitlement will replace substandard floors in bathrooms with vinyl sheet material. Carpeting in bathrooms is generally not be considered an appropriate floor material.

Medicine Cabinets and Mirrors: Because children should be prevented from easy access to medicine, cabinets are required in most bathrooms. Mirrors must also be provided when they are not present. The Entitlement will not purchase elaborate and expensive medicine cabinets with mirrors unless the homeowner is paying for them.

Lighting: All bathrooms must have at least one light that can be switched from the inside. Lights switched from the outside generally do not need to be moved, unless rewiring is to be conducted in the house. All receptacles must be GFI type in bathroom areas.

Quality Standards Threshold: In evaluation of the quality of installation, resilient flooring shall be installed over a suitable underlayment and in compliance with the recommendations of the manufacturer. The products used shall be installed in accordance with the manufacturer's instructions and/or recommendations. All flooring shall meet minimum FHA standards for quality.

Unless otherwise specified all fixtures will meet or exceed quality standards of Standard American brand.

VIII. Bedrooms must meet the following criteria:

Minimum Bedroom Sizes: The minimum size for a bedroom will be 7 feet by 10 feet, but larger sizes should be encouraged. When new construction is involved, minimum size will be 11 1/2 feet by 9 feet.

Closets: All bedrooms must have access to closets for storage of clothing. On existing housing, closets in adjoining hall areas are acceptable. **Windows:** All bedrooms must have an egress window in addition to the door. Egress windows must be no more than 44 inches from the floor and permit at least 5.7 square feet of egress area. Windows must be operable and have locking mechanisms.

Doors: All bedrooms must have a functional door that closes, which, preferably can be locked from the inside. The width must be at least 28 inches, but bedroom doors are commonly 30 inches wide or larger. When new construction is undertaken, a 32 inch door should be considered. The door cannot have punctures or holes. The door may be of hollow core material.

Lighting: All bedrooms must have one switchable light fixture, preferably in the interior of the bedroom next to the entrance.

Outlets: Outlets are required to permit coverage of the entire room by an appliance with a six-foot cord. Use of extension cords is discouraged and additional outlets should be provided whenever possible to avoid their use.

IX. General Electrical must meet the following criteria:

Service: All residential properties should have adequate electrical service to a mast above 10 feet from the ground. Each house must have a 110 and 220 voltage service and an electrical breaker box that is completely accessible. The electrical switch boxes on the exterior must be capable of being locked. Knob and Tube Wiring: Knob and tube wiring in attics is not acceptable when insulation covers the wires. This type of wiring needs to expel heat through the insulation and is considered to be a potential fire hazard when covered by insulation. Knob and tube wiring in attic must be replaced with romex whenever insulation is to be undertaken. Knob and tube wiring in walls where insulation is not to be accomplished may be left intact. It is the policy of the Entitlement rehabilitation programs not to do complete rewiring because it is beyond the scope of rehabilitation resources available to the Entitlement.

Ground Faults: Ground fault electrical outlets must be provided within six feet from any water source such as sink or lavatory. Also, they should be provided to provide coverage for all outdoor outlets and garages.

Safety Considerations: All electrical connections must be in enclosed metal or plastic electrical boxes. No hanging wires are permitted. All light fixtures should be inspected to ensure that they are solidly hung and that the electrical connections have not been loosened. All electrical fixtures that evidence wear must be replaced with new fixtures. All electrical outlets and switches must have tight cover plates. Any switches or outlets which are non-functional must be inspected by a licensed electrician and all electrical problems corrected. Light switches on staircases, must be double switched at the top and bottom of the stairs. Living quarters are preferred to be electrically switched at entrances. Exterior lighting at the front and back doors must be provided. These lights must be weather proof and switched from the interior at the access/egress point.

Service to Accessory Buildings: Electrical service to garages and large storage buildings must be inspected. If they are found to be inappropriate or lacking, service

may be provided, but only at minimal levels and the service should be ground faulted. Protection must be provided.

Quality Standards Threshold: In evaluation of the quality of installation all electrical work shall be performed in a workmanlike manner and in accordance with good usage and accepted practices. All materials shall be made and installed so they perform in accordance with their intended purposes.

X. General Plumbing must meet the following criteria:

Policy: With regard to plumbing, it is the policy of the Entitlement, when doing federally funded housing rehabilitation, to require the following minimum plumbing:

Type of Pipe: All repairs undertaken must be accomplished with standard copper pipe and with soldered fittings. Plastic and galvanized pipe that needs to be replaced may be repaired with similar materials. Whenever galvanized or lead pipe is found and is in significant disrepair, copper pipes will be used. Plastic or PVC pipe is a local code issue and allowed only as is permitted by the Entitlement.

Venting: The Uniform Plumbing Code requires that all drains be vented. All drains that are changed as a result of replacing fixtures must be vented in accordance with the Uniform Plumbing Code. All drains must be provided with appropriate P- traps and vented in accordance with the Uniform Plumbing Code.

Faucets: All replacement faucets provided by the Entitlement must be metal with chrome plating or stainless steel material. All faucets must be washerless. Consideration should be given to elderly or handicapped individuals requiring handicap faucet knobs to facilitate use of toilet and kitchen facilities.

Functional Sewer Lines: Each residential property must have its own functional sewer line. All houses with problems with sewage backup must be investigated and repairs made to the sewer line.

Shut-off Valves: All fixtures which are removed and replaced require the installation of shut-off valves. Preexisting conditions if not part of required repairs are not required to meet this standard.

Water Meter Readout: A water meter readout on the outside of the house must be provided whenever possible. Gas Meters: All gas meters located on the inside of the house, garage or storage room, must be moved to the outside of the house.

Vent Stacks: All vent stacks must be at least one foot above the roof and appropriately sealed to prevent infiltration of water. Water Heaters: In areas of high-water pressure, water heaters must have expansion tanks.

Quality Standards Threshold: In evaluation of the quality of installation for plumbing, each living unit shall be provided with a continuing and sufficient supply of safe water under adequate pressure and of appropriate quality for all household uses, and one that will not impair the functioning or durability of the plumbing system or attachments.

XI. Weather Tightness must meet the following criteria:

Policy: It is the policy of the Entitlement to assure weather tight residential structures that promote maximum conservation of energy. **Primary Windows:** The Entitlement recognizes that the replacement of primary windows can be very expensive. Primary windows are not to be replaced unless they are rotted and are permitting the infiltration of air or rain. Rotted sills and trim may be replaced or covered to eliminate decay or to cover lead-based paint. All primary windows should have locking devices for security.

Door: The Entitlement will provide steel insulated doors whenever the existing doors and door frames are in states of decay. When door jambs are still in good condition or the doors are of unusual sizes, solid core wood, prefinished or unfinished doors will be provided. All exterior doors should be provided with locking hardware and deadbolt security locks. All new and existing doors must be weather-stripped and a weather tight threshold installed when necessary. Use of hollow core veneer and panel doors are substandard and not acceptable.

Wall Insulation: The Entitlement will generally not provide wall insulation unless interior or exterior walls expose the studs during rehabilitation. When the framing is exposed, fiber glass rolled insulation must be installed. When siding is in bad condition or when there is evidence of lead-based paint, ½ inch insulating Styrofoam may be installed under new siding material.

Roof Insulation: All ceilings under attics or roofs must be insulated to at least an R-30 value. Blown-in insulation will be utilized to accomplish the work in the most economic fashion. If any other treatment is proposed by the owner, the owner will be responsible for the difference in the materials.

Exterior Siding Materials: Asbestos siding will be acceptable and will not be replaced unless over 25 percent of the exterior surface evidences broken or fallen siding. Asphalt siding is generally considered as a fire hazard by the Uniform Fire Code and old siding of this type should be considered for removal and be replaced. In some cases, the siding may be left as an insulating material. All holes in the walls (regardless of material type) must be repaired and cracks filled with caulking to prevent infiltration of the weather.

Exterior Siding Repairs: Exterior paneling materials such as unpainted plywood, sheetrock, tar paper, cardboard, or metal patches are unacceptable siding materials.

Quality Standards Threshold: In evaluation of the quality of installation in all siding, millwork and trim, knots, resinous wood, and nail holes shall be sealed with a prepared sealer or aluminum paint prior to puttying and priming. Any nail holes or cracks in surfaces to be painted shall be filled with putty. A prime coat shall be applied to all surfaces to be painted before or immediately after installation. Primer shall be formulated specifically for application to unfinished wood. Finish coats formulated to

serve as primers may be used. All sidings shall be finished in accordance with the manufacturer's direction.

XII. Re-roofing Specifications must meet the following criteria:

Housing rehabilitation with federal funds is generally for older houses that often were improperly constructed by today's code standards. Contractors are required to do much more extensive work on these houses to ensure that an adequate roofing job is provided. The following steps are required. All roofing material must be torn off to the deck when there is more than one layer of shingles on the roof or the section of roofing is more than 30-years-old. After tearing off the roof, the contractor must request an inspection from the Entitlement's Building Department to determine what repairs to the decking must be made. The rehabilitation standards require ½ inch CDX plywood instead of particle board. After making repairs required to the roof decking, the contractor must provide new flashing as needed, replace all rotted or broken fascia board and overlay the entire deck with thirty (30) pound felt. The contractor will then install T-lock shingles or rolled roofing over areas not meeting slope requirements as required by this code. Each T-lock shingle must have at least two nails.

The contractor is required to storm nail shingles along the edges of the roof and/or provide aluminum roof finish edge. All debris from the roof must be contained in a vehicle or other appropriate containers and removed from the site to an appropriate disposal area required by Entitlement Code. All debris must be removed from the site upon completion of the tearing-off portions of the work. The contractor will be sure that debris from the roofing does not damage vegetation or cause potential danger to residents or other persons.

Quality Standards Threshold: In evaluation of the quality of installation the edges will be squarely trimmed and no excess of tar or other water proofing materials will be left on home surfaces. The quality of installation and workmanship shall be evaluated against ASTM 04.04 and 04.05 for roof and weatherproofing systems or local code compliance reviews as determined appropriate by the inspector.

FY2008 Income Limits

Appendix B

Maricopa County

Phoenix/Mesa/Scottsdale, AZ MSA

Effective: 02/13/2008

Median Income: \$ 64,200

CLASSIFICATION	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person	9 Person	10 Person	11 Person
Extremely Low (30%)	\$ 13,500	\$ 15,400	\$ 17,350	\$ 19,250	\$ 20,800	\$ 22,350	\$ 23,850	\$ 25,400	\$ 26,950	\$ 28,500	\$ 30,030
Very Low (50%)	\$ 22,450	\$ 25,700	\$ 28,900	\$ 32,100	\$ 34,650	\$ 37,250	\$ 39,800	\$ 42,350	\$ 44,950	\$ 47,500	\$ 50,050
Lower (60%)	\$ 26,940	\$ 30,840	\$ 34,680	\$ 38,520	\$ 41,580	\$ 44,700	\$ 47,760	\$ 50,820	\$ 53,940	\$ 57,000	\$ 60,060
Low (80%)	\$ 35,950	\$ 41,100	\$ 46,200	\$ 51,350	\$ 55,450	\$ 59,550	\$ 63,650	\$ 67,800	\$ 71,920	\$ 76,000	\$ 80,080
Median Income (100%)	\$ 44,900	\$ 51,400	\$ 57,800	\$ 64,200	\$ 69,300	\$ 74,500	\$ 79,600	\$ 84,700	\$ 89,900	\$ 95,000	\$ 100,100
Above Income (120%)	\$ 53,880	\$ 61,680	\$ 69,360	\$ 77,040	\$ 83,160	\$ 89,400	\$ 95,520	\$ 101,640	\$ 107,880	\$ 114,000	\$ 120,120

Notes:

- ~75% of new Section 8 admissions must be Extremely Low (30%)
- ~Very low (50%) is used for eligibility for the Section 8 Program
- ~60% is used for eligibility for the Rental Reinvestment Program and ADDI Program
- ~80% is used for eligibility for the HOTT Program
- ~80% is used for eligibility for the CAMP Program

Appendix C

Signed Certification of Ownership form
Deed or Title (for mobile homes)
Mortgage Status
Fire/Homeowners Insurance
Property Taxes
Sales Comparisons
FHA Mortgage Limits

Annual Income Verification Worksheet
Verification of Wages and/or SSA Award Letter, etc.
2 month's Paystubs
Verification of Assets
2 month's Statements of Assets
2 years Federal Income Tax Returns
Verification Progress Report
AFDC/Unemployment Inquiry
Authorization(s) for Release of Information
Fax Cover pages/receipts for Verifications

Income Verification

Full application (green sheet)
Pre-application (purple sheet)
Declaration of Income
Conflict of Interest Statement(s)
Acceptance of City of Tempe's Housing Improvement Program form
Declaration(s) of Citizenship
Copy of Immigration documentation
Copy of Photo Identification

Ownership

Application

Appendix C

Documents are recorded at the Maricopa County Recorder's Office

Deed of Trust
Note
Request for Notice

Deed of Trust

If a subordination is requested by applicant:

Subordination Agreement
HUD-1/Pre-Audit
Truth in Lending Statement
Appraisal Report
Good Faith Estimate
Loan Application
Current Note/Deed
Interest Rate 1% Lower
Legal Description Verification
Excel Lien Tracking

Subordination Requirement Form

Notice of Right to Cancel
Truth in Lending
Control Instruction from Amerinational
Final Loan Recommendation from Amerinational
Preliminary Risk Analysis from Amerinational
Cover Letter to Amerinational
Acceptance of City of Tempe's Housing Improvement Program form

Subordination

Loan Docs

Appendix C

File Checklist - Rehabilitation - Construction (yellow sheet)	
Notice of Completion (copy of original filed with County Recorder) Copy of Finalized Building Permit Post rehabilitation photos	
Notice of Completion	File Checklist Home Improvement Program (purple sheet)
HIP Funding Worksheet (green sheet) Amerinational Control Forms (for loans) Contractor Payment Request Form(s)	
Payment to Contractor	
Change Order(s) with Bid Reviews Notice to Proceed Housing Improvement Contract	
Contract/Notice to Proceed	
Bid Review(s) All contractor bid proposals Scope of Work and transmission verification	All written correspondence to include: letters, e-mails, diary logs, etc.
Contractor Bid Proposals	
Lead Risk Assessment Report and Clearance Work Order Presumption List Lead Based Paint Exemptions List	
Lead Based Paint	