

SAMPLE REHABILITATION/RECONSTRUCTION PROGRAM GUIDELINES DECLINE STREET REDEVELOPMENT PROJECT

DEFINITIONS

Definitions of terms used in this document shall be the following:

Ability-to-Pay - The difference between 30% of a household's adjusted average monthly gross income and the average monthly housing cost, used to determine how much of the cost of rehabilitation the household can be expected to pay with its own resources.

Agency – The city or county implementing the program as an agent of Governor’s Office for Local Development, a grantee of the U.S. Department of Housing and Urban Development.

Annual Income - The gross amount of household income anticipated to be received during the 12 months following the effective date of examination as calculated by the current HUD Section 8 method.

Applicant - The "Applicant" shall include all persons having legal or equitable title to the structure for which rehabilitation assistance is requested, including nonresident owners.

Applicant's Family (Household) - The "Applicant's Family" shall include the applicant and other persons related by blood, marriage, or operation of law in addition to all non-related persons living in the dwelling unit.

Approving Officer - A representative of the Agency authorized to approve rehabilitation contractors and distribution of rehabilitation funds.

Critical Health and Safety Deficiencies - Those necessary elements of the structure which are lacking or are deteriorated to a point which poses a real threat to the continued well being of the occupants. For the purpose of this plan, these include wiring, heating and major structural problems and the lack of adequate plumbing and sanitary septic systems.

Forgivable Deferred Loan (FDL) - A direct payment for the purpose of bringing an eligible property up to Housing Code paid to the approved contractor on the Applicant's behalf. There is no requirement for repayment unless the property is sold or transferred within the first ***Insert Number*** years after rehabilitation is complete and/or the unit does not continue to be occupied by a low and moderate-income household. The amount of the FDL is forgiven/reduced at a rate of ***Insert Percent*** per year for ***Insert Number*** years.

Fixed Medical Expenses - Monthly recurring costs related to health care, not covered by medical insurance, as verified by a doctor and/or pharmacy.

Housing Code/Housing Standard - The International Code Council (ICC) Property Maintenance Code which is adopted by the Agency as the minimum standards to which all structures approved for rehabilitation assistance must comply.

Land Sales Contract - Any transaction, regardless of the arrangement, in which the purchaser-occupant obtains fee title, but only if a series of installment payments over a period of time have been completed. (It must be a “recorded land contract in order to prove ownership.)

Low and Moderate-Income - Level of income, when combined with family size, relates to eligibility for rehabilitation with a Forgivable Deferred Loan (FDL). These income levels have been established by the federal Department of Housing and Urban Development (HUD) and adopted by the Agency.

Monthly Housing Cost - Those expenses to the occupant incurred monthly for housing. This amount reflects property tax, mortgage or rent, basic utilities excluding phone (electricity, gas, water, sewer) and property insurance.

Owner-Occupied Structure - A residential structure occupied by the owner which is used entirely for residential purposes.

Rehabilitation - Repairs, reconstruction or additions to a structure necessary to improve it to the minimum standards as required by the Housing Code and/or HUD guidelines.

Rehabilitation Assistance - That amount of money available from the Agency to an Applicant on behalf of a specific structure for the purpose of correcting critical health and safety deficiencies in that structure and bringing the unit into full compliance with the Housing Code. For the purpose of this rehabilitation plan, the type of rehabilitation assistance offered is in the form of a Forgivable Deferred Loan (FDL).

Structure - For the purpose of this rehabilitation plan, a structure containing one to four residential units is considered to be real property.

FINANCING MECHANISMS – FORGIVABLE DEFERRED LOANS

A Forgivable Deferred Loan is one form of financial assistance provided to applicants who qualify for the CDBG program. The amount of those loans will vary from case to case. Further, the amount is directly related to the household income. Forgivable Deferred Loans will be available to property owners located within the targeted rehabilitation area and shall only be made for the rehabilitation of those dwelling units deemed substandard yet feasible for rehabilitation by the initial inspection.

The applicant must be considered low and moderate-income as determined by HUD Section 8 Income Limits. In no instance will the Forgivable Deferred Loan exceed the total cost of the rehabilitation expenses.

Every Forgivable Deferred Loan will be secured by a Mortgage and Promissory Note containing a **Insert Number of Years** reducing clause. At the end of the **Insert Number** year, the balance of the principal remaining (**Insert Percentage** of the original amount of the Forgivable Deferred Loan) will be satisfied and forgiven in full.

The schedule for Forgivable Deferred Loans will be as follows: **(Change according to number of years)**

| <u>At End of Time Period</u> | <u>Percentage of Loan Forgiven</u> |
|------------------------------|------------------------------------|
| 1st Year | 20% |
| 2nd Year | 40% |
| 3rd Year | 60% |
| 4th Year | 80% |
| 5th Year | 100% |

The term of the Forgivable Deferred Loan begins with the date of the Certificate of Final Inspection and runs for **Insert Number** years. Reductions of the principal amount of the Forgivable Deferred Loans are subject to ownership and, in the case of owner-occupants, residency. Owner-occupants must own and occupy the property during the entire **Insert Number** years in order to qualify for the full reduction of the principal amount of the Forgivable Deferred Loan (this provision will not apply if the owner-occupant must temporarily or permanently enter a nursing home or similar care facility). Failure on the part of the owner-occupant to maintain ownership and residency during the **Insert Number** years will stop the reduction and require the repayment of the unreduced balance of the loan. For owner-occupants, the full amount of the FDL may be forgiven upon the death of the owner(s). Reductions for the investor-owners are subject to ownership. The owner-occupant must retain ownership and maintenance of the property during the entire **Insert Number** year reduction period in order to qualify for reductions.

ELIGIBILITY REQUIREMENTS

APPLICANTS ELIGIBLE FOR REHABILITATION ASSISTANCE

The following requirements shall determine the eligibility of persons applying for a Rehabilitation Forgivable Deferred Loan. It should be explicitly understood that no one (or combination) of these criteria qualifies or disqualifies an Applicant. Rather, these guidelines give the Agency and the Approving Officer the opportunity to evaluate each Applicant on various specific points prior to making a decision of eligibility. The items to be analyzed as a part of the eligibility criteria are as follows:

RESIDENCE

Eligible Applicants shall reside within the designated project area, or the structure upon which rehabilitation is to be performed must be within the designated project area.

OWNERSHIP

Eligible Applicants shall be owners of the structure upon which rehabilitation is to be performed. Owners shall hold title or deed to the structure or shall be buying the structure under a recorded Land Sales Contract.

MAINTENANCE

Each Applicant will be required to maintain the rehabilitated structure for the Insert Number year term of the financial assistance. Maintenance will be examined in relation to the rehabilitation work performed, as per the work write-up and applicable minimum property standards. An officer of the Agency will perform periodic inspections, inform the property owner of any items that have deteriorated and request correction. The Agency reserves the right to take any appropriate action necessary to ensure that the rehabilitated property is maintained and may include early payback of financial assistance. This action will only be taken if the applicant shows a total disregard for maintenance and the Agency's request for correction of deteriorated items is repeatedly ignored and is documented accordingly. The initial review will be in letter form and will take place approximately six to nine months after the date of the final inspection in order to detect any problems the owner may face during the contractor's one-year guarantee period and/or basic maintenance problems.

FINANCIAL ELIGIBILITY

Priority for rehabilitation assistance shall be given to Applicants whose adjusted annual incomes are below the HUD Section 8 definition of low and moderate income. This amount is based upon family size and currently includes the following income categories: **NOTE: Family Size is based on the number of persons living in the household. Maximum Gross Income is based on gross annual income for all household members over 18 years of age.**

| FAMILY SIZE | 50% of Median Very-Low Income Maximum Gross Income | 80% of Median Low-Moderate Income Maximum Gross Income |
|--------------------|---|---|
| 1 Person | \$14,600 | \$23,350 |
| 2 Persons | \$16,700 | \$26,700 |
| 3 Persons | \$18,750 | \$30,000 |
| 4 Persons | \$20,850 | \$33,350 |
| 5 Persons | \$22,500 | \$36,050 |
| 6 Persons | \$24,200 | \$38,700 |
| 7 Persons | \$25,850 | \$41,350 |
| 8 Persons | \$27,500 | \$44,050 |

The Housing and Community Development Act of 1974, as amended, specifically stipulates that priority be given to low and moderate-income families, elderly persons, female-headed households, and the disabled. In order to comply with the requirements of the state and federal legislation, the Agency shall give priority to those applications meeting these guidelines.

The income of an Applicant includes the income of the Applicant and the Applicant's Family. If ownership of the property rests in more than one person, the Applicant is each owner and family. The Applicant's income, therefore, is the sum of the family income of all Applicants. The exception to these conditions follows:

If an applicant is part-owner of the property to be rehabilitated and other co-owner(s) are not contributing to the maintenance of the property, income shall be considered to be only that of the occupant, when all co-owners agree not to sell the property for a period of at least Insert Number years and the other co-owners agree to allow the applicant to remain in the unit without increasing the applicant's housing costs.

INELIGIBLE APPLICANTS

Ineligible Applicants shall be any Applicant not meeting all of the criteria above.

STRUCTURES ELIGIBLE FOR REHABILITATION

The following requirements shall determine the eligibility of a structure for rehabilitation assistance. Structures eligible for rehabilitation are identified in the CDBG application.

ELIGIBILITY OF RESIDENT APPLICANT

An eligible structure shall be owned and/or occupied by an eligible Applicant as defined above.

LOCATION

An eligible structure shall be located within the boundaries of the Insert Name of Housing Project.

MINIMUM STANDARDS

An eligible structure shall be one which is below the minimum requirements established by the Housing Code and which, at a minimum, will have critical health and safety problems corrected following rehabilitation assistance.

MULTI-UNIT STRUCTURES

An eligible structure shall contain no more than four (4) units, one (1) of which must be occupied by the owner/applicant.

ELIGIBLE REPAIRS

An eligible structure shall exhibit one or more of the deficiencies defined in Eligible Costs.

INELIGIBLE STRUCTURES

Certain structures shall not be eligible for rehabilitation assistance due to excessive deficiencies.

EXCESSIVE REHABILITATION NEEDS

For any structure determined by the Agency to require rehabilitation costs in excess of 75% of the value of the property, the Agency may deny approval of funds to rehabilitate the structure.

The Agency may approve funds for demolition of vacant properties with excessive rehabilitation needs. Occupied structures with excessive rehabilitation needs may, at the Agency's discretion, be acquired by the Agency and the occupants relocated.

DANGEROUS OR UNFIT STRUCTURES

By definition of the Housing Code, any structure determined by the Rehabilitation Inspection to be a dangerous or unfit structure shall not be eligible for rehabilitation assistance, unless rehabilitation financed with the rehabilitation funds and/or other funds shall result in the structure meeting the requirements of the Housing Code.

ELIGIBLE REHABILITATION COSTS

A rehabilitation *Insert Number* Forgivable Deferred Loan may be made only to cover the cost of rehabilitation necessary to make a low-income, owner-occupied one-to-four dwelling, mixed-use or tenant-occupied property conform to public standards for safe, decent and sanitary housing as required by the Housing Code and as identified in the work write-up and meeting the definition of "eligible costs" as provided in this section. As a result of the rehabilitation work financed, in whole or in part, by a rehabilitation deferred-payment loan, the property must, at a minimum, conform to the Housing Code. Rehabilitation funds shall be used to achieve economical and practical compliance with the Housing Code.

ELIGIBLE COSTS

Costs eligible for rehabilitation assistance are the costs of meeting the requirements of the Housing Code and correcting incipient violations, lead based paint testing and abatement, and providing off-street parking. Building permits may be included in the amount of rehabilitation assistance. Other costs deemed necessary to ensure rehabilitation may be approved, on a case-by-case basis, by the Agency Board to be included as part of the Applicant's FDL.

A. Requirement of the Housing Code. When necessary to meet a specific requirement of the Housing Code, a rehabilitation Forgivable Deferred Loan may be used to the extent necessary for:

- ◆ Rehabilitation, or removal and replacement of elements, of the dwelling structure, including basic equipment. The term "basic equipment" includes such items as heating furnace, hot water tank, electrical, sanitary fixtures and kitchen stove and refrigerator if deficient or damaged. It does not include other appliances.
- ◆ Provision of sanitary or other facilities, including the provision, expansion and finishing of space necessary to accommodate those fixtures.
- ◆ Provision of additional or enlarged bedrooms.
- ◆ Provision of off-street parking in compliance with local zoning requirements.
- ◆ Provision of utility service, including water and sewer

B. Incipient Violations. In order that a property may be brought up to and maintained at the Housing Code, rehabilitation assistance may be used for rehabilitation work necessary to correct incipient as well as existing violations of the Housing Code. An incipient violation exists if, at the time of inspection, it is thought that the physical conditions of an element in the structure will deteriorate into an actual violation during the term of the five-year FDL. The property inspection report should identify the incipient violations to establish the basis for providing for corrective work with the rehabilitation assistance. For enforcement purposes, it may be necessary for actual violations to be identified and

listed separately from incipient violations. However, the amount of the rehabilitation Forgivable Deferred Loan to be made may cover both actual and incipient violations.

C. Requirements Not Covered by Housing Code. Any rehabilitation, not specifically required by the Housing Code, found necessary for safety, health and general welfare of the occupants of any structure or general maintenance of the structure shall be determined by the Rehabilitation Inspector to be eligible. Homes constructed prior to 1978, will be tested for lead based paint and addressed in accordance with new HUD lead based paint regulations.

INELIGIBLE COSTS

Certain rehabilitation costs shall not be eligible for rehabilitation deferred payment loans including:

- A. Rehabilitation not required to bring the structure up to the standards of the Housing Code unless otherwise stated above;
- B. Landscaping and other yard or "nonstructure" property improvements except fences.
- C. Additional rooms, except as required to meet the Housing Code.
- D. Rehabilitation of accessory structures, unless specifically authorized by the Agency for health and safety reasons.
- E. Rehabilitation judged to be damaging to the historical character or value of a structure by the State Historic Preservation Officer of the Kentucky Heritage Commission.

REHABILITATION ASSISTANCE APPROVAL PROCESS

GENERAL

The following process shall be adhered to in soliciting, accepting and processing applicants for rehabilitation assistance in bidding and managing rehabilitation construction and in managing rehabilitation funds.

APPLICATIONS

The agency shall advertise the availability of rehabilitation assistance, the time, place and manner of filing applications, and general eligibility requirements through door-to-door solicitation, public hearings or other media as appropriate.

Each applicant shall file a standard application form. Assistance in preparing the form will be provided by the Agency if necessary.

Special arrangements shall be made to assist Applicants unable to file an application, especially for the elderly and disabled.

INTERVIEW

At the time of filing the application, an appointment for an interview shall be arranged between the Applicant, Owner and member(s) of the Agency staff for the purposes of explaining rehabilitation policies and procedures.

DETERMINATION OF FINANCIAL ELIGIBILITY

The Agency staff shall prepare a financial eligibility statement for the Applicant.

Upon verification and completion of the financial eligibility statement, the Agency staff shall determine and verify the Applicant's financial eligibility according to the eligibility requirements implemented in this plan.

If on the basis of income and ability-to-pay, an applicant is determined to be ineligible for a rehabilitation forgivable loan, the Applicant shall be notified in writing of such determination, the reasons for such determination, appeal procedures, other potential resources for assistance in rehabilitating his or her property for which the Applicant may be eligible and means of applying for such assistance. The Applicant's file shall be placed in an over-income file.

DETERMINATION OF ELIGIBLE REHABILITATION COSTS

A general Structural Condition Survey has been prepared in conjunction with the application and Development Plan.

The Structural Condition Survey identifies the condition of all items potentially eligible for rehabilitation. The ratings determined by the Inspector on the Structural Conditions Survey will be used to determine the eligible costs and repairs to be contracted. Items in acceptable condition (meeting the conditions established in the Housing Code), those requiring rehabilitation (not in accordance with Housing Code) and incipient violations of the Housing Code shall be documented.

The Agency staff shall determine the eligibility of the structures in accordance with requirements.

WORK WRITE-UP AND COST ESTIMATE

Upon determining that a structure is eligible for rehabilitation construction, the Agency staff shall prepare a specific work write-up and cost estimate for all rehabilitation, construction, labor and materials necessary to bring the structure into complete compliance with the Housing Code.

Based on a rehabilitation inspection, a work write-up and cost estimate is a statement prepared by the Agency which itemizes all the rehabilitation work to be done on the property and includes an estimate of the cost for each item. The cost estimate shall be reasonable and shall reflect actual costs prevailing in the locality for comparable work.

Each item of work and its estimated cost shall be identified in the work write-up as being either necessary to meet the Housing Code or for other purposes that may be eligible to be financed with rehabilitation assistance funds.

If the total estimated cost of the work exceeds the amount of rehabilitation assistance the applicant can receive, or exceeds the amount of financial assistance available to do all the work, the Agency shall eliminate or modify items in the work write-up as necessary to reduce estimated cost; however, items of work necessary to meet the Housing Code shall not be eliminated.

Preliminary work write-ups should not contain details that have no significant effect on cost, such as color, style or pattern. Decision on these details can be made when preparing the specifications for the construction contract documents. As appropriate, the term "to be selected by the owner" shall be used.

CONSULTATION WITH APPLICANT

As soon as possible after inspection of the property, the Agency shall consult with the applicant/owner on the specific work write-up and cost estimate.

The Agency shall advise the applicant/owner which items of work are required to meet the Housing Code and which are not required, but which may be financed with the rehabilitation forgivable deferred loan. The Agency should be prepared to eliminate or modify any item in the preliminary work write-up that is not required by the Housing Code. The owner must be consulted should any items be modified or eliminated from the original work write-up. Applicants receiving FDLs will use the Agency-established low bidder contractor for the rehabilitation work. Applicants may select another contractor provided that contractor is on the approved list and is paid no more than the amount of the low bid. This may be negotiated with the contractor and the owner may eliminate any work not required to meet the building code to reduce the work to the low bid price.

As a result of the consultation and agreement between the Agency and the Owner on the work to be done, the Agency shall prepare a final work write-up and cost estimate. The final work write-up shall be the basis for the specifications in the construction contract documents to be used to solicit bids and proposals from contractors.

SPECIFICATIONS AND DRAWINGS

Specifications based on the final work write-up and any necessary illustrative sketches shall be prepared by the Agency covering the specific rehabilitation work for the structure. Drawings shall be prepared (where necessary) to show the scope of the work involved so that a fair bid for the work can be obtained and so that misunderstanding with the bidder will be avoided. The specifications shall clearly establish the nature and location of the work to be done and the material and equipment to be installed. Known acceptable brands shall be identified by reference to manufacturer's or association specifications and provisions shall be made for the acceptance of equal substitutions. Master specifications will be prepared and given to each

contractor prior to performing any rehabilitation work and will be included in all contracts by reference.

CONTRACTING FOR REHABILITATION OR RECONSTRUCTION WORK

GENERAL

This section sets forth requirements and procedures with respect to rehabilitation contracts for work financed through the Rehabilitation Assistance Program.

REQUIRED CONTRACT

Rehabilitation activities financed through the Rehabilitation Assistance Program shall be undertaken through a written contract (a standard form prepared by the Agency) between the contractor and the property owner. The Agency staff shall assist the property owner in preparing a suitable written contract. The contract will not be valid unless approved in writing by the Agency and the property owner.

THE CONTRACT DOCUMENT

The contract will consist of a single document signed by the contractor and accepted by the property owner, only following approval of the rehabilitation assistance or reconstruction activities. It shall contain a bid and proposal by the contractor, the general conditions, the specifications for the work to be performed, the work write-up and, by any reference, Master Specifications.

GENERAL CONDITIONS

The Agency staff shall prepare minimum general conditions for use in all contracts for the rehabilitation of property or reconstruction activities.

OBTAINING CONTRACTOR'S BID AND PROPOSALS

The Agency will establish and, on the basis of its experience, maintain a current listing of contractors who are qualified to perform, who are verified on the HUD Web site as not being debarred, and who are interested in doing rehabilitation or reconstruction work. While the list, in a limited way, may serve the purpose of pre-qualifying bidders, it shall not be used as a means of excluding bidders who are not on the list at the time the submission of a bid and proposal is in order. Vigorous efforts will be maintained to encourage minority business participation in the execution of the administration and contract phase of the program.

INVITATION TO CONTRACTOR FOR BID AND PROPOSAL

Contractors on the "approved list" will be contacted with regard to homes that are ready for rehabilitation or where reconstruction activities are proposed. Several contractors will be asked to review the work write-up or house plans, specifications and the structure (if job is a rehab). After this review, the contractors will be asked to submit bids on the job. All bids will be reviewed and compared to the Agency's cost estimate. If the low bid is within the 15% above-below range, the bid will generally be acceptable. If the bid exceeds the 15%, the Agency will re-evaluate the Agency's cost estimate for accuracy and reserve the right to negotiate with the Contractor. If no agreement can be reached which is acceptable to both parties, the Agency will negotiate with the next lowest bidder. If no agreement can be reached through the above described negotiations, the proposed work may be rebid.

ELIGIBLE CONTRACTORS

In order for a Contractor to qualify for reconstruction or rehabilitation work, it will be necessary that the Contractor submit to the Agency an application to be placed on the eligible contractor's

list. The Agency shall verify information on the application, and the eligibility of the contractor must be approved by verifying their eligibility regarding exclusion from federal procurement, suspension and other responsibilities. All Contractors are required to carry and provide evidence of Worker's Compensation Insurance in accordance with statutory requirements for all employees at the job site and must ensure all subcontractors do the same. All contractors must provide proof of at least ***Insert \$ Amount*** in business liability insurance, which must be maintained during the life of the contract. All contractors performing rehabilitation activities must provide evidence they are qualified to perform lead work, such as proof of attendance at a safe work practices training session and a copy of the Kentucky certification for abatement supervisor and workers. The Contractor will be notified in writing of the Agency's decision if they are found to be ineligible.

REMOVAL OF CONTRACTORS FROM APPROVED LIST

Poor performance, quality of work, failure to uphold the one-year guarantee, failure to obtain/maintain required insurance or disapproval from HUD may cause a Contractor's name to be removed from the "approved contractors" list. The following list contains additional reasons for which the Agency may decide that a contractor's name may be deleted from the approved list. The list includes, but is not limited to:

- A. Continuous poor quality work as determined by the Agency.
- B. Failure to pay subcontractors or material suppliers.
- C. Contractor's insolvency, bankruptcy or other conduct or condition which has resulted in a monetary loss to a homeowner or to the Agency in connection with the contract work.
- D. Abandonment of a job or repeated failure to complete contract work within the specified time limit.
- E. Contractor's conviction of a crime in connection with contract work or in connection with payment or receipt of funds administered by the Agency.
- F. Failure to maintain a current business license and registration with the local building official.
- G. Failure to maintain worker's compensation insurance and general liability insurance.
- H. A history of job abandonment, bankruptcy, subcontractor or supplier payment problems, or similar problems with have resulted in financial losses to other federally funded housing programs.

AWARD OF REHABILITATION OR RECONSTRUCTION CONTRACT

The contract shall be awarded by the Agency on behalf of the owner after proper examination of the bid by the Owner and the Agency.

In award of a contract for the rehabilitation work or for reconstruction, the owner of the property shall execute the original contract documents. The executed contract documents shall be distributed as follows:

Executed original to contractor

Executed counterpart to Applicant and/or Owner

Executed copy retained by Agency

GUARANTEE TO COMPLETE REHABILITATION

In cases in which the Owner agrees to complete certain items of rehabilitation as required by the Housing Code (i.e., cases in which all Housing Code requirements are not included in a contract), the Owner shall sign a "Guarantee to Complete Rehabilitation." The award of the rehabilitation assistance shall be contingent upon the signing of such a guarantee.

ISSUANCE OF PROCEED ORDER

At the time the award is made, the Agency Staff shall remind the applicant/owner and the successful Contractor that the undertaking of the work covered by this contract is subject to issuance of an order to proceed within the number of days stated in the general conditions of the contract from the date of the award.

The order to proceed shall be prepared by the Project Manager, signed by the Project Manager, Contractor and Owner, and shall be distributed by the Agency as follows:

Original to Contractor

One copy to the Owner

One copy retained by the Agency

PRE-CONSTRUCTION CONFERENCE

A pre-construction conference will be held prior to issuing the notice to proceed for any reconstruction or rehabilitation activities. The homeowner, contractor, and project manager or duly authorized representative shall be present at the pre-construction conference to review specifications and/or work write-ups of the work to be performed by the contractor. All parties will be required to sign off on these items as well as a pre-construction conference checklist in order to ensure that each has a thorough understanding of the work to be done and the timeframe for completion.

SELECTION OF MATERIALS

Materials utilized by the Contractor for roofing, siding, cabinetry, flooring, and countertops must be provided to and approved by the Owner and Project Manager. In addition, all color selections for roofing, siding, shutters, exterior painting, flooring (carpet and vinyl), countertops, and cabinets will be selected by the Owner. A form containing the Owner's color selections and signature will be given to the Contractor to alleviate potential misunderstandings. Should materials be unavailable or the Owner wishes to modify his/her selection (prior to the ordering and installation of the materials by the contractor), the form should be modified and initialed by the Owner, Contractor, and Project Manager. Failure to modify the form in advance of these changes shall be done so to the liability of the Contractor. Installation of materials (by the Contractor) other than those approved by the Owner and Project Manager may result in the Contractor removing and replacing these materials at his/her own expense.

LIQUIDATED DAMAGES

As specified in the contractor's contract with a homeowner, liquidated damages will be assessed for any work not finished by the completion date or for any faulty workmanship or materials not remedied or replaced by the contractor.

ARBITRATION

Appropriate action mentioned above shall include arbitration to ensure the protection of both the Applicant and the Contractor. Arbitration will be provided by the Agency. The Agency will inspect the work and determine if it has been performed in accordance with the contract and in a competent manner. If the work has not been completed properly, the Contractor will be ordered to make the necessary corrections before receiving any further payment. If the Contractor fails to make the necessary corrections prior to the expiration of his or her contract, the Agency shall assist the Applicant in obtaining another contractor to make the corrections. When corrections are made to the satisfaction of the Agency, the Agency shall make the necessary arrangements to pay the new Contractor for the corrections from the Applicant's rehabilitation account. At this time, the Contractor who failed to perform shall be paid the balance of the funds remaining in the contract, if any. This payment shall only be made upon receipt of the appropriate release of lien documentation. If the Contractor does make the corrections as requested and the work is deemed satisfactory by the Agency, the final payment shall be disbursed to the Contractor.

CONSTRUCTION INSPECTIONS

GENERAL

Inspection of construction work funded with Agency rehabilitation assistance shall be performed by the Agency. To accomplish this, the Agency shall, as necessary, make:

Interim inspections to ensure that the construction work is being completed in accordance with the construction contract.

A final inspection to determine that the construction work is being completed in accordance with the construction contract.

A sixty (60) day follow-up inspection to ensure no problems have occurred as a result of completed work. If so, corrective action will be deemed necessary.

RECONSTRUCTION INSPECTIONS

The contractor is required to obtain a building permit on all reconstructed homes and to obtain a footer, framing, and final inspection from the local building inspector. Documentation from the building inspector showing that these inspections have been done and that the house is in compliance with the building code must be provided to the Agency. If the contractor fails to have a footer inspection done, the contractor (at his/her own expense) will be required to obtain a letter from a structural engineer certifying that the footer meets the building code and plans. This letter must contain the engineer's stamp and original signature. Prior to final payment, the contractor must also provide a copy of the termite certificate and certificate of occupancy (where issued) to the Agency. No house shall be occupied until the final electrical and plumbing inspections have been passed and a certificate of occupancy has been issued.

INTERIM INSPECTIONS

Interim inspections will be made by the Agency staff dependent upon the amount of work and period of construction. In any case, at least one interim inspection per month will be made. Interim inspections will be made before progress payments are made on a Contractor's invoice. Interim inspection reports will be prepared by the inspector.

PROGRESS PAYMENTS

Issuance of a progress payment, if authorized by the contract, will be dependent upon favorable interim inspection reports indicating that the work completed is in compliance with the construction contract. In the event that work completed is not in compliance, it shall be the duty of the Agency staff to obtain appropriate corrective action from the Contractor. The Contractor shall be notified verbally, at the time of the inspection for progress payment, of any necessary corrective action to enable the Agency to make a progress payment. Agency staff will document this notification in the case file. This verbal notification will be followed up by a written memorandum to the Contractor if the work is not completed as required by the verbal notification.

Interim inspections should ascertain that the work completed is valued at an amount equal to the progress payment requested. No payment will be made on a construction contract until the Contractor has satisfactorily completed the necessary corrective action.

RETAINAGE

Contractors performing rehabilitation work shall be subject to 10% retainage until the owner signs a completion of work form. On reconstruction, the contractor will be required to furnish and pay one of the following: 1) one-hundred percent performance or payment bond or bonds; 2) a 20% cash escrow; 3) a 25% irrevocable letter of credit; 4) a contractor may opt for 25% retainage on completed work; or 5) 10% retainage with contractors and subcontractors release of liens provided with every pay request.

CHANGE ORDERS

Change orders shall be issued on behalf of the Owner and executed by the Rehabilitation Inspector, Project Manager, Contractor, and homeowner when changes are required in the contract. Change orders may be used to add items of work which become evident after work is started. The Contractor shall not be authorized to perform any work outside the scope of the original contract without a written and properly executed change order. Unless formally approved as a change order by the Project Manager, any modifications to the contract, write-up or house plans, materials used, Owner color selection sheet, or specifications shall be done so at the risk of the Contractor and possibly to the cost of the homeowner if an unapproved verbal agreement was made between the Owner and Contractor.

FINAL INSPECTION

Upon completion of the rehabilitation work and receipt of the Contractor's invoice containing his or her certification of satisfactory completion of all the work in accordance with the contract and his or her warranty, the Agency shall obtain from the Contractor a Release of Liens, including releases from all subcontractors and suppliers and a copy of each warranty, before making the final payment.

If the Contractor cannot provide the Agency with a satisfactory Release of Liens, the Agency, may, with Owner's approval, pay the supplier and/or subcontractor directly. The Contractor will be notified in writing of the Agency's intent to pay the supplier or subcontractor directly seven (7) working days prior to the date the Agency will make these payments. The supplier or subcontractor will be required to sign a release of liens at the time of payment.

Final payment will be made within thirty (30) days of receipt of all necessary documents. In the case of an applicant performing his or her own rehabilitation, any incomplete rehabilitation work identified in the "Applicant's Guarantee to Complete Rehabilitation" shall be noted at the time of final inspection.

OWNER'S ACCEPTANCE OF WORK

The Owner will be asked to sign the Owner's Acceptance of Work. If there are any problems with workmanship, etc., these will be negotiated by the Agency between the Owner and the Contractor. In the instance that the Owner makes unreasonable request or demands and the Contractor has otherwise satisfied the requirements of the Agency, the Agency reserves the right to override the Owner's decision, accept the work, and begin closeout procedures. In the instance where the Agency's decision supersedes the non-acceptance of the Owner, the Agency will thoroughly document the reasons for the decision to close out the rehabilitation despite the homeowner's objections.

CERTIFICATION OF FINAL INSPECTION

After the Agency determines that the work, as indicated in the contract agreement with the Contractor has been fully and satisfactorily completed and the final inspection report obtained, the Agency shall prepare a "Certification of Final Inspection" which shall be signed by the Owner, Agency representative, and Contractor.

FOLLOW-UP INSPECTION

In some cases, defects and inadequacies in the construction work, not apparent at the time of final inspection, may show up after final payment for the work is made and the "Certification of Final Inspection" has been issued. Most of these are minor, such as floors and windows that stick after painting. However, others are serious, such as roof leaks not ascertainable until after a rain, defects in the heating systems installed during the non-heating season that were not revealed in the limited tests after inspection. All work performed by the contractor is covered by a one-year guarantee. Owners may require the Contractor to correct significant defects and inadequacies found in the construction work performed under this contract. After final inspection, the Agency shall make an additional call on the Owner to ascertain if there are any complaints about the work which has been done. This call shall be made within sixty 60 days after the issuance of the "Certification of Final Inspection." The Agency shall inspect the work to ascertain if the complaint is valid. If the complaint is valid, the Agency will assist the owner in obtaining prompt corrective action from the Contractor. Any problems that may occur after the sixty (60) days must be resolved between the Owner and the Contractor.

RELOCATION ASSISTANCE

GENERAL

Relocation will be in accordance with the Optional Relocation Policy adopted by *Insert Name of Agency's Governing Body*.

STORAGE

If rehabilitation work cannot be completed with the occupant's household goods in place, the Agency may provide insured storage space. The Agency may pay the cost of insurance and moving to and from storage.

RELOCATION AND ANTI-DISPLACEMENT PLAN

In the implementation of the *Insert Name of Housing Project*, it will be necessary to temporarily relocate family household occupant's living in deteriorated structures to safe, decent and sanitary housing. As this is a voluntary project, no permanent relocation is anticipated. However, if due to unforeseen circumstances, it is necessary to provide permanent relocation, such relocation will be done on a voluntary basis. Therefore, relocation will not be in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (URA or Uniform Act), as amended.

A. Administration

All relocation activities in the *Insert City or County Name* will be administered by the designated approving officer and in accordance with the agency's relocation procedures

B. Purpose

The purpose of this relocation function is to establish and provide assistance to persons and families who may be relocated as part of the rehabilitation, reconstruction/clearance activities and in obtaining suitable, safe, decent, and sanitary temporary housing.

C. Relocation Standards

1. Physical and Occupancy Standards

All units considered for replacement housing must meet Kentucky Residential Code for reconstructed houses and International Code Council (ICC) Property Maintenance Code for houses that are rehabilitated. Any housing used for relocation purposes must meet HUD Section 8 Housing Quality Standard, the appropriate building codes and have the appropriate number of bedrooms for the family size.

2. Ability to Pay

No individual or family should be expected to pay rent or mortgage payments and utilities that will exceed 30% of their gross monthly income.

3. Environmental Standards

A suitable temporary housing unit must be in a location free of adverse environmental conditions and the agency will make every effort to consider similar accessibility as the family's former residence to public services, utilities, employment, commercial facilities, churches, recreation, etc.

4. Non-Discrimination

All housing considered for this relocation activity are open to all persons regardless of race, color, religion, sex, disability, familial status, or national origin, in a manner consistent with Title VII of the Civil Rights Act of 1968.

5. Proposal for Assuring Availability of Replacement Housing

Since all structures included in this voluntary project will be assisted by

rehabilitation and/or reconstruction activities, it is anticipated that replacement housing will be rehabilitated or constructed on the family's existing lots. However, should this not be the case due to unforeseen circumstances, all persons being relocated will be assisted in purchasing or constructing replacement homes in other areas of the jurisdiction.

6. Relocation Assistance Advisory Services

At the earliest possible date, any person to be permanently displaced as part of the project will be informed of the relocation procedure, replacement housing referrals, financial assistance, and social services assistance available under the relocation activity. Eligible persons will be informed verbally and given written information statements about the relocation process and financial assistance to ensure their understanding of the program and a smooth relocation.

7. Housing Discrimination Complaint:

If a person displaced by this relocation activity is unable to purchase or rent a replacement dwelling because of alleged discriminating practices pertaining to race, color, creed, or national origin, a HUD Housing Discrimination Complaint Form shall be made available, completed, and filed for each family or individual so aggrieved.

8. Social Services

Persons being relocated will be provided with needed social services counseling prior and subsequent to their relocation. The Agency shall endeavor to assure the availability of counseling services related to job, financial, educational, health, and other social services. Referrals will be made to governmental, civil, and community agencies.

D. Equal Opportunity

1. The Agency shall take such actions as listed below to assure that any displaced persons are provided with the maximum opportunities to select replacement housing within the community's total housing supply; lessen racial, ethnic, and economic concentrations; and facilitate desegregation and racially inclusive patterns of occupancy and use of public and private facilities:
 - a. Make full use of HUD properties, multiple listing services, and normal real estate management and brokerage services.
 - b. Inform members of minority groups of housing opportunities in non-traditional neighborhoods and provide services to familiarize them with such neighborhoods.
 - c. Cooperate fully with fair housing groups, human relations bodies, and other social groups, civic and religious groups interested in facilitating freedom of residence.

E. Grievance Procedure

1. Each person receiving assistance will be informed both verbally and in writing about the grievance procedure. The grievance procedure will operate as follows:
 - a. A person may file a written appeal in any case in which the person believes that the Agency has failed to properly determine the person's eligibility for assistance or has failed to provide equal assistance based upon the Program Guidelines. A person may also request an appeal concerning a review of the quality and adequacy of housing rehabilitation activities offered.
 - b. A person is encouraged to first contact the Approving Officer for clarification prior to filing a formal written appeal to the Agency. If resolution is to no avail, the Approving Officer can assist the person in filing an appeal.
 - b. The first level of appeal is to the Agency. All appeals should be sent to the **Insert Mayor's or Judge's** office at the **Insert City or County Address**.
 - c. All appeals will be reviewed by the Agency within fifteen (15) days from the receipt and the person filing the appeal will be notified in writing of the Agency's decision, the basis for that decision, and notification of the right to appeal the decision to the Department of Local Government.
 - d. The Agency shall permit a person to inspect and copy all materials pertinent to his or her appeal except materials which are classified as confidential by the agency.
 - e. If the Agency disapproves an appeal, the appellant is entitled to a review by the Department of Local Government, Office of Federal Grants, 1024 Capital Center Drive, Suite 340, Frankfort, Kentucky 40601. A state review may be obtained by sending a written request to the Department of Local Government at the above address within thirty (30) days after receiving the review findings from the Agency.

F. Relocation Payments

Since all structures included in this voluntary project will be rehabilitated and/or reconstructed, relocation payments will not be offered. However, should this not be the case due to unforeseen circumstances, all persons being relocated will be assisted as part of the voluntary project. Therefore, relocation will not be subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (URA or Uniform Act), as amended.

G. Temporary Relocation

Temporary relocations must be approved by the Approving Officer and must be consistent with the Optional Relocation Policy adopted by **Insert Name of Agency's Governing Body**. A family that moves of their own accord without prior approval

for a temporary relocation will not be eligible for reimbursement of costs. Circumstances when temporary relocations may be approved include the following:

- 1) The family's house must be demolished in order for their replacement house to be constructed requiring them to temporarily re-locate to another house.
- 2) The rehabilitation activities are extensive or include the removal of lead based paint which makes it necessary for the family to temporarily re-locate to another house awaiting repairs.

All families will be encouraged to stay with friends or relatives especially when the temporary relocation is for a short period of time (30 days or less). Relatives and friends may charge the relocated family rent for providing shelter. However, the rent must be reasonable and not exceed one-half of the HUD published fair market rent for the size of the unit they are staying in.

For longer relocations, the temporarily relocated family will first be given the option of renting any available housing the Agency may have acquired that would be suitable for temporary housing. Next, the Agency will work with the local public housing authority to provide temporary housing. If these sources are not available, the family will be assisted in finding a local, moderately priced available rental property. Rents must be reasonable for the area and generally should not exceed the HUD fair market rent for the locality. The Agency will pay the monthly rent and any reasonable, documented direct out of pocket moving costs. **All rents must be documented by rental agreement or lease.** In general, the family will be responsible for utilities at the temporary site on the same basis as the house they were temporarily relocated from.

H. Anti-Displacement Plan

1. A total of **Insert Number** dilapidated structures included in the **Insert Name of Housing Project** are unsafe and need to be rehabilitated and/or require clearance. The Agency maintains a comprehensive listing with the addresses of all houses receiving assistance. As this is a housing rehabilitation program and each house demolished will be replaced, Section 104-D requirements for replacing the units lost do not apply. In general, the rehabilitated/reconstructed houses will have the same number of bedrooms as the existing house unless additional bedrooms are needed to meet HUD guidelines.
2. It is anticipated that the project will be completed by **Insert Grant Agreement Expiration Date**. This includes all rehabilitation and demolition/reconstruction activities.
3. **Insert Number** new replacement homes will be constructed as part of the project. It is anticipated, based on those families that have been preliminarily approved for the project that this includes **Insert Number** 3-bedroom houses, **Insert Number** 2-bedroom houses and **Insert Number** 4-bedroom house. These units with a total of **Insert Number** bedrooms will replace the **Insert Number** lost through demolition. The Agency maintains a comprehensive listing with the addresses listed for all houses receiving assistance which are the same addresses of the construction of replacement homes.
4. The source of funds for the construction of replacement homes will be CDBG

funds in the form of *Insert Number of Years* forgivable deferred loans. A total of *Insert \$ Amount* in CDBG funds and *Insert \$ Amount of Other Matching Funds* will be used toward project costs. It is anticipated that all replacement homes will be constructed by *Insert Date.*

5. The replacement homes will be constructed for owner occupants participating in the project. As 100% of the owners of the reconstructed homes are LMI, it is anticipated that this percentage of replacement homes will continue to be occupied by LMI families for the next ten years.