



Development
Services Agency

Community Housing Improvement Program (CHIP)

Instructions for Developing a Policy and Procedures Manual (2003)

Prepared By:
Ohio Development Services Agency
Community Services Division
Office of Community Development

John R. Kasich, Governor of Ohio
Christiane Schmenk, Director
Ohio Development Services Agency

Acknowledgements

The Office of Community Development (OCD) would like to thank the 2003 CHIP Advisory Committee for their input into the revisions to the CHIS/CHIP application process, and particularly the members of the Housing Advisory Working Committee of 2003 for their valuable insights as this process unfolded and as these instructions were developed. The members of the Housing Advisory Working Committee are:

Jean Trussell, Meigs County
Shanna Garrett, Ohio Regional Development Corporation
Dennis Miller, Miami Valley Planning Organization
Marshall Bleckman, Bleckman and Associates, Inc.
Philip Holley, Wayne County Metropolitan Housing Authority
Paul Tecpanecatl, Poggemeyer Design Group, Inc.
Carol Nawrocki, City of Elyria

OCD would also like to thank the other individuals who reviewed and commented on the drafts, particularly Mike Burns, Mary Dupler, Betsy Giffin and Tom Sherman.

Special thanks to Dana Leas and Carol Guercio for writing the drafts and to Pat Stevens for word processing the final edition.

Table of Contents

	Page
Introduction	
Policy and Procedures Requirements and Purpose.....	1
Organization of the Manual.....	2
Required Components of the Policy and Procedures Manual	2
I. Advisory Boards	
Submission Requirements.....	3
Housing Advisory Committee	3
II. Income Eligibility	
Submission Requirements.....	4
Examples of Third-Party Source Documentation	5
III. Contractor Selection and Construction Management	
Submission Requirements.....	7
Contractor Qualification Requirements	8
Procurement.....	10
Construction Contracts	14
Use of Owner – Contractors	15
Construction Management and Improving Work Quality	15
IV. Disbursement of Funds	
Submission Requirements.....	19
V. Conflict Resolution	
Submission Requirements.....	20
VI. Program Income	
Submission Requirements.....	21
VII. Acquisition/Relocation	
Submission Requirements.....	22
VIII. Civil Rights	
Submission Requirements.....	23
IX. Environmental Review	
Submission Requirements.....	25
X. Activity-Specific Elements	
Eligible Activities.....	26
A. Activity Design	
Submission Requirements.....	27
Preplanning and Activity-Specific Design Criteria	29
New Construction/Down Payment Assistance.....	29
Private Owner Rehabilitation.....	29
Rental Rehabilitation	30
Home Repair.....	31
Down Payment Assistance or Down Payment Assistance/Rehab	32
Homebuyer Counseling.....	33

Tenant-Based Rental Assistance	34
Emergency Housing Assistance.....	34
Staff Roles and Procedures	34
B. Client Selection	
General Guidelines for Client Selection Standards	35
Requirements for Submission	35
C. Limits of Assistance	
Requirements for Submission	42
Details of Elements Relevant to Selected Activities	43
D. Finance Mechanisms	
Submission Requirements	45
E. Affordability/Housing Cost Burden	
Submission Requirements	47
Housing Cost Burden.....	47
Long-Term Affordability	47
Program Income	48
Recapture or Resale (HOME Funds)	48

Introduction

All housing programs being funded in whole or in part by a Community Housing Improvement Program (CHIP) grant must operate according to written guidelines. These guidelines include federal regulations, state regulations, state and federal policies as well as local policies. Specific written Office of Community Development (OCD) policies are detailed in the OCD "Housing Handbook" and the State of Ohio Consolidated Plan.

Policy and Procedures Manual Requirements and Purpose

All grantees operating housing programs shall establish and have available for public inspection a set of policies and procedures governing the operation of its local program. This manual will consist of the local community's policies and procedures for the implementation of the local CHIP, which must be consistent with all state and federal regulations and OCD policies. This manual will include program designs for each CHIP funded housing activity identified in the community's Community Housing Improvement Strategy (CHIS) and a number of other elements as outlined below. In addition to the elements listed, the community may choose to include other relevant policies and procedures to this manual that govern the operation of their housing program. All of the specific components listed below must be included in this document. The purpose of the instruction that follows is to provide the specific requirements for the design and submission of the local manuals for review and approval by OCD.

All manuals must be submitted with the community's CHIS and are to be closely tied to the community's housing needs as identified in this document. The manual must be updated every five years along with the CHIS and may be amended, as necessary, with approval from OCD. Three copies of the manual shall be submitted to OCD and each copy shall be placed in a three ring binder with tabs for each required component and each CHIP funded activity to be undertaken by a community during the five years that this manual shall apply.

The purpose of the manual is to act as a guide to be used by the grant administrators in the consistent implementation of the community's CHIP. It will also be used by OCD in judging the competency of each local community to administer a CHIP. It will further be used as a way of communicating with all interested parties the manner in which the program will be operated and will become a part of the grant agreement between the community and OCD.

OCD will review each manual using the following criteria:

- Clarity – How understandable is the document and the policies and procedures that it outlines?
- Effectiveness – How efficient and effective are the policies and procedures likely to be at meeting their intended goal and the needs of the community as outlined in the CHIS?
- Consistency – Are the policies and procedures outlined in this manual consistent with one another, with the community's needs and goals as outlined in their CHIS, with state and federal regulations and with the policies and goals of OCD?
- Detail/Planning – Is there evidence of adequate detail and planning to fully implement the policies and procedures as outlined in the manual. Do the policies and procedures appear to be well thought out and fully developed?
- Reasonableness/Fairness – Do the policies and procedures appear to be logical and appropriate for the activity and do they appear to be fair and impartial?

All manuals determined to be inadequate by OCD must be revised and resubmitted and the community will be ineligible for CHIP funding until they have an approved manual. OCD will require submission of any required revisions within a specified timeframe and prior to approval of any funding through the CHIP. OCD reserves the right to require resubmission of inadequate submittals the following year.

Organization of the Manual

The manual will consist of several sections. OCD requires the manual to be organized in a consistent manner according to the following guidelines:

- Three copies of the manual must be submitted in three-ring binders.
- The name of the community, the title of the document (CHIP Policy and Procedures Manual) and the year of submittal (the same year as the next available funding round), shall appear on the front of the binders and as a title page inside.
- Each copy of the manual shall have behind the title page a resolution from the local community adopting the manual.
- Each copy of the manual shall be divided into labeled tabbed sections consistent with the required components I through XI below, including a separately labeled tabbed section for each activity to be described in section X (for example “**X – Home Repair**”).

Required Components of the Policy and Procedures Manual

- I. Advisory Boards
- II. Income Eligibility
- III. Contractor Selection and Construction Management
- IV. Disbursement of Funds
- V. Conflict Resolution
- VI. Program Income
- VII. Acquisition/Relocation
- VIII. Civil Rights
- IX. Environmental Review
- X. Activity Specific Elements:
 - A. Activity Design
 - B. Client Selection Process
 - C. Limits of Assistance
 - D. Finance Mechanism
 - E. Affordability/Housing Cost Burden
- XI. Attachments
 - A. Local Program Implementation Forms
 - B. Contractor Performance Manual

The following sections of this document describe the specific submission requirements for each of the above listed components of the manual. A separate description of the following components I – IX will apply program wide.

I. Advisory Boards

The following elements related to any and all local housing program advisory boards and/or loan review committees should be addressed in a separate tabbed section.

- 1. The purpose of the board or committee and its role shall be clearly defined.**
- 2. A description of the parameters for membership, the member terms, the process and the criteria for the replacement of members, and a list of the current members shall be provided for each board and/or committee.**
- 3. The meeting schedule for each board and/or committee.**
- 4. The responsibilities of each board and/or committee in relation to the administration and implementation of the funded housing programs.**

Housing Advisory Committee

Establishment of a Housing Advisory Committee (HAC) is required when developing the CHIS. The committee must consist of representatives appointed by the local governing body, generally the county commissioners, mayor or the city manager. The committee should include at least one neighborhood resident that will not benefit from the program, and should include a cross section of the community, an elected official and representatives from all social service agencies or organizations with an interest in low- and/or moderate-income housing (examples include the local housing authority, the local planning department, the community action agency, redevelopment, realtors, bankers, Habitat for Humanity affiliate, etc.).

A detailed analysis of the Census data will be performed. This data will include the type of housing available, rents, vacancies, quality and age of existing housing stock, etc. This data will permit the HAC to prioritize the local housing needs and offer guidance on the development of the policies to address those needs. The HAC will be able to provide information on the local delivery system which includes all agencies and organizations that are currently involved in local housing programs, as well as those previously involved in housing. Supportive services for the mentally ill, substance abusers, elderly, disabled, homeless or other populations must be included in the CHIS information. Because the HAC consists of advocacy group members and service providers, representation from this group is essential in providing input on policy issues and determining an action plan.

An action plan will then be developed with guidance from the HAC that specifically sets forth the prioritized activities as well as how those needs will be addressed and what agency or organization is to provide these services.

II. Income Eligibility

Low- and Moderate-Income (LMI) is defined by HUD as up to 80 percent of the local area median income (AMI) as computed on the current Section 8 Income Guidelines and based on the number of permanent residents of the household that qualify under the criteria. Lower limits or targeted limits within this range may be advisable or required depending on the funding source and the nature of the activity. For additional information on income limits see Section 2, B., of the Housing Program Manual.

Provide a description of the policies and procedures related to income eligibility and place this description in the Income Eligibility section behind a tab titled **"II. Income Eligibility."** The income eligibility description shall include the following:

- 1. A chart showing the appropriate Section 8 Income limits to be used for each activity planned within the five-year period that the manual will be in effect.**
- 2. The selected definition of income to be used for all activities.**
- 3. A description of the steps in determining income eligibility.**
- 4. A description of the procedures to be followed in implementing each step of the eligibility determinations.**
- 5. The local guidelines for documentation in verifying income.**
- 6. A list of eligible sources of income.**
- 7. The division of administrative responsibility associated with the procedures for assessing income eligibility must be clearly detailed for each staff position (Also see the section on staff roles under Section X – A, Activity Design).**
- 8. Copies of all forms that will be used in the verification process (these should be placed in Section XI – A of the manual).**

The following information may be of assistance to you as you put your income eligibility section together.

Selection of the Definition of Income

HUD has provided grantees with the flexibility to choose one of three definitions of annual income as defined in 24 CFR 5.609. These three definitions of income and the proper determination of income when using each of them are fully outlined in the 1999 U.S. Department of Housing and Urban Development *"Technical Guide for Determining Income and Allowances for the HOME Program."* OCD strongly encourages each grantee to obtain a copy of this document and to use it as you develop your local policies and procedures on this section. The three definitions of income are as follows:

- Section 8 annual income
- Census Long Form method (using the 2000 census long form)
- IRS adjusted Gross Income as defined for reporting on Form 1040

Verifying Income

All income from all persons residing in the housing unit must be verified from independent source documentation, commonly called “third-party documentation.” All sources of income and assets listed on the application must be verified. The client will be required to sign authorization forms to be mailed to the appropriate source for third-party income verification for comparison and to ensure that anticipated income is properly calculated. The date of any and all documents used in verifying income may not be more than 180 days prior to the date of the application for assistance. Income must be projected for 12 months. Applicants shall be required to disclose all assets on the application.

Examples of Third-Party Documentation for Income

Type of Income	Documentation
Public Assistance Benefits	<i>Cash issuance history, current determination letter</i>
Ohio Works First; Prevention, Retention and Contingency; Temporary Assistance for Needy Families; Supplemental Security Income; Social Security Disability; etc.	<i>Current bank statement showing direct deposit of benefit</i>
Wages and Salaries (gross, before deductions)	<i>Pay stubs for four most recent pays, employer statement or computer printout of earnings</i>
Self-employment revenue/income	<i>Financial records indicating gross revenues and operating expenses, signed tax forms and schedules for the previous two years (contribution to private retirement plans, wages to household members and property and equipment depreciation are not allowable deductions)</i>
Social Security Benefits	<i>Current determination letters</i>
Veterans Benefits Bank, Workers Compensation, Government and Private Pensions, and Unemployment Benefits	<i>Deposit statements</i>
Alimony and Child Support	<i>Statement from Bureau of Child Support, divorce decree, and child support order</i>
Dividends and Interest	<i>IRS Form 1099, statement from financial institution</i>
Rents and Royalties	<i>IRS Form 1099, rent receipts</i>
Strike Benefits	<i>Letter from Union</i>

Determining Household Size

Household size is determined by counting the number of eligible household members residing in the unit. Individuals generally not counted as household members include: foster children, live-in aides and their children, unborn children, and children being pursued for legal custody who are not currently living in the household.

Assets

Every community must have an asset policy that details what funds and property are considered assets, as well as a limit for determining eligibility. This ensures that those persons without resources are assisted first. Assets are considered to be savings accounts, Certificates of Deposit, stocks, bonds and other real estate.

Comments Regarding Income Documentation Forms

- Be careful of what questions you ask on your forms. You must be specific to get good information returned. Avoid asking for average monthly pay.
- OCD recommends that you design the income verification form so that if a person is paid hourly, the payroll clerk can note both the hourly rate and the number of hours worked per week.
- The form should also request a description of the pay period. For example is pay based on weekly, bi-weekly, monthly or bi-monthly distribution?
- The form must include a signature line for the person providing the information, as well as a signature line for the applicant.

III. Contractor Selection and Construction Management

The following elements must be addressed as they relate to the selection of contractors and the management of the construction process through the implementation of activities in the CHIP. Details and suggestions are outlined in the sections following the list of requirements below:

- 1. Identify the requirements that local contractors must meet in order to participate in the program and outline the qualification process.**
- 2. Describe the policies and procedures for barring poor performing contractors from continuing to participate in the program. Include a discussion of the community's disbarred contractor policy.**
- 3. Provide policies and procedures to be followed to ensure that adequate contractors are available to ensure competition. Also include the policies and procedures for recruiting Minority Business Enterprises (MBE), Women Business Enterprises (WBE) and disadvantaged owned businesses into the program.**
- 4. Provide a description of the policies and procedures for the procurement of consultants, risk assessors, clearance technicians, rehabilitation specialist and other individuals or organizations involved in the administration and implementation of the CHIP. Also include those involved in conducting testing and inspections.**
- 5. The manual must describe the policies and procedures for the proper procurement of private contractors including a detailed outline of the process. Include a discussion of any special procurement requirements for emergency situations, including an explanation of when they will be used. Also include a discussion of the award of bids and procedures for dealing with the delay of the start date.**
- 6. Describe the policies and procedures related to the pre-bid conference including a discussion of scheduling, attendance requirements and the policy for amending specifications or addressing alternative scopes of work.**
- 7. Outline the policies and procedures related to construction contracts, and place a copy of the construction contracts to be used in Section XI – A of the manual.**
- 8. The manual must describe the policy regarding the involvement of owners doing all or a portion of the construction work on their properties.**
- 9. The manual must describe the policies and procedures covering the management of the construction process. Outline the policies and procedures for interim inspections including the frequency, scope, and guidelines to be followed. Also describe the policies and procedures related to final inspections, change orders, time delays and punch out lists.**
- 10. Provide, in Section XI – A of the manual, a copy of the written Performance Manual that defines and provides technical specifications for the construction methods and materials to be used to achieve the grantee's performance standards (master specifications).**

11. Describe the process for conducting the initial inspections, work write-ups, in-house estimates, and the development of the scope of work/specifications for construction projects. This shall include the mandatory tests noted in Appendix H of the RRS. Include all relevant policies and procedures. Provide in Section XI – A of the manual a sample of all forms to be used in conducting work write-ups, in-house estimates and in describing the scope of work/specifications for construction projects.
12. Provide an outline of the policies and procedures for dealing with lead-based paint including a discussion of the risk assessment process, the integration of lead into the full scope of work, management of lead issues during the construction process, coordination with the Ohio Department of Health and policies and procedures related to the clearance process. Describe the policies and procedures related to the temporary relocation of residents. Include in Section XI – A of the manual copies of all related forms to be used in this process.
13. Describe the pre-construction conference, including the timeframe for implementation, the location of the conference, a list of the necessary participants, a list of topics that will be discussed and procedures for heading off potential problems that may arise during the construction process. Include in Section XI – A of the manual, copies of all forms to be used.
14. The division of administrative responsibility associated with the procedures for contractor selection and construction management as outlined in this section must be clearly detailed for each staff position (also see the section on staff roles under Section X – A, Activity Design).
15. Where applicable, describe the administrative roles and responsibilities associated with all staff that will be involved in assuring compliance with labor standards, including those of the local labor standards officer. Labor standards apply to public facilities with contracts of \$2,000 or more, CDBG housing projects where the project consists of eight or more units, and HOME housing projects where 12 or more units are assisted.
16. Where applicable, describe the process the grantee will follow to assure bid packages are reviewed for compliance with Labor Standard Provisions prior to issuing bids and upon receiving of bids.
17. Describe how the grantee will assure that the Labor Standards Officer is aware of when any covered work is occurring in the field.

Contractor Qualification Requirements

The manual must identify the requirements that local contractors must meet in order to participate in the program. The requirements should be rigorous enough to screen out unqualified or unstable contractors but not so stringent as to prevent the participation of an adequate number of competent contractors. At a minimum, the qualification process should gather the following information about prospective contractors:

- Names and addresses of the owners and the type of ownership.
- The contractors financial and credit history.

- References from previous clients and material suppliers.
- The contractor's business history (e.g. years they have been in operation, job volume, legal issues, etc.).
- Previous experience in the types of work that they will be performing.
- The names and addresses of sub-contractors that they use frequently (must also get the names, addresses, and insurance and worker's compensation information for all subcontractors that will be used on a particular project prior to the start of the project).
- Proof of insurance coverage and worker's compensation.
- Contact CHIP grantees in adjacent jurisdictions to determine if the prospective contractor has any performance issues in other CHIP housing programs.
- Check the Federal Debarred contractor list.

Other requirements may include performance bonds, evidence of appropriate licenses or certifications for the type of work to be performed, description of their current workload, and evidence of capacity to perform the work (do they have the qualified personnel, equipment, etc. necessary to complete the job in a timely fashion).

Guidelines for Dealing with Poor-Performing Contractors

The manual must also describe the policies and procedures for barring poor-performing contractors from continuing to participate in the program. OCD expects grantees to establish and maintain a system for evaluating contractor performance. OCD recommends that contractors be evaluated at least once a year. At a minimum, grantees should evaluate contractors on their ability to complete jobs on time, follow the bid specifications and rehabilitation contract, maximize work quality and minimize callbacks, honor warranty work, and respond to client complaints in a timely manner. The evaluations must be conducted consistently and be well documented so that the results can be used effectively. Contractors that fail to meet the performance standard must be barred from participation and removed from the list of approved contractors. Local policy should also contain a provision for the immediate removal of contractors from the list at any time that they are blatantly refusing to follow the established program requirements until the identified problem is resolved, and should establish any probationary periods for new contractors or for those with problems. Grantees must fully document the results of the contractor qualification and evaluation processes in their Participating Contractors File (see Section 6, A, 10 of the Housing Program Manual).

Ensuring Adequate Competition

Provide policies and procedures to be followed to ensure that adequate contractors are available to ensure adequate competition. Grantees must also have procedures for recruiting MBE/WBE owned businesses into the program. A few examples of ways to attract contractors to participate in your programs are listed below.

- "Sell" the program to local contractors.
 - a. Meet with each local contractor individually
 - b. Hold a contractors meeting
 - c. Use newspaper articles and advertisements or media spots to stimulate interest
 - d. Place information in supply stores where contractors do business.
 - e. Look for qualified contractors ahead of time and work to develop a relationship with them by acquainting them with your community, your programs and of possible upcoming needs. The community could even mail a newsletter with updates on the program to local contractors on a regular basis.

- Make projects more desirable to local contractors. Develop a reputation as a good community to work with.
 - a. Make sure that expectations are clearly laid out ahead of time in enough detail to eliminate misunderstandings.
 - b. Also keep the communication lines open and request feedback from contractors either currently or previously involved in projects, and use that information to improve your program and to make it flow more smoothly.
 - c. Improve speed of payment. There are a number of ways to accomplish this – a couple of quick examples: i.) Local funds can be used to pay them initially and the local government can then be reimbursed with the federal funds, (ii) Project completion dates can be anticipated ahead of time and draws made accordingly. Payment from OCD takes approximately three weeks if all goes well so by anticipating when you will need draws and being timely in your submissions you may be able to cut down on the needed time frame.
 - d. Provide detailed specifications and bidding instructions to make estimating easier and more equitable. (You will actually provide a better opportunity for your good contractors to compete effectively in the bidding process by doing this, as it is the poorer contractors who leave the things out that you may not have included in your original specifications. This can lead to poor quality work, change orders, etc.). Referencing the technical performance manual will help with this, as well as the pre-bid contractor meeting at the unit.
 - e. Be courteous, but firm in dealing with contractors. Make sure that staff are courteous, helpful and meet their responsibilities in a timely fashion.
 - f. Be fair (don't show favoritism – make sure that all contractors have an equal opportunity to be awarded projects).
- Make good use of contractors in specific trades (subcontractors) where appropriate by dividing projects into smaller tasks. This can give you a wider contractor base.
- Widen your sphere of potential participants. You may have to go outside of the county to obtain adequate contractor participation. Other possible leads to contractors in your area may be:
 - a. Other housing programs in your region, which may be able to provide you with a list of other contractors that are currently working within your area. They may also be a good source of information about the performance of these firms.
 - b. Professional organizations such as the local Building Industry Association, the National Association of Home Builders, etc. Organizations such as these could be contacted for recommendations of firms.
 - c. The yellow pages of the telephone books for your community and neighboring communities, as well as the large cities within the region.
- Encourage the participation of minority, women, disadvantaged and small contractors.

Procurement

The manual shall:

- Describe the policies and procedures for the proper procurement of private contractors including a detailed outline of the process;
- State clearly whether the selection of a contractor is the responsibility of the property owner (homeowner procurement with assistance from the local program) or that of the local program (public procurement); and

- Ensure that bids are requested from at least three contractors and that bids are compared on an equal basis.

If the procurement of contractors will be conducted by the community, then public procurement is to be used, and the procedures for the selection of contractors as outlined in 24 CFR 85.36 and various Ohio Revised Code regulations must be followed (also see the State of Ohio CDBG small cities program handbook – Chapter 12). If the property owner will be procuring the contractor, then the policies outlined in 24 CFR 85.36 do not apply. Instead procurement is based on the requirements outlined in the “Housing Handbook”, on good principles of financial management and an attempt to protect the public interest (also see the booklet "Streamlining Rehabilitation Programs" – U.S. Department of Housing and Urban Development, Office of Community Planning and Development). Guidelines for this process are outlined below.

Procedures When the Property Owner is the Procuring Party

- a. The contract is procured and executed by the private property owner. However, program policies must be adhered to and all federal, state and local laws and requirements must be followed.
- b. The property owner can request technical assistance from the local government or agent/consultant.
 - i. The request for assistance must be made at the time of application submission or immediately following.
 - ii. The request must be made in writing.
 - iii. The government role must be limited.
 - iv. A copy of the owner’s request for technical assistance must be maintained in the case file.
 - v. A fine line must be walked. There is often a conflict between the following needs:
 - Making good use of taxpayers’ money, lessening the liability associated with working on private property, and keeping administrative costs down by allowing the property owner to do their own procurement (and thus avoiding the extra requirements for local government procurement outlined in 24 CFR 85.36).
 - Watching out for the best interest of the public and the property owner by avoiding lengthy delays, poor quality work, etc. that can be a part of allowing the property owner to do their own procurement.
- c. Technical Assistance is limited to:
 - i. *Preparation of the work write-up and detailed cost estimates.* Cost estimates should include:
 - Cost breakdowns the same as you are requesting from the contractors (trade-by-trade, room by room, etc.).
 - Cost of code and accessibility compliance.
 - Cost of any required (city or county) inspections.
 - Cost of Ohio Historical Preservation Office (OHPO) compliance.
 - Cost of business or residential tenant relocation.
 - Lead-based paint requirements.
 - Local flood ordinance compliance.
 - ii. *Provision of a list of qualified contractors.* The homeowner will choose the contractors that they want to use off of this list. It is advisable to have them choose several, because to get three bids returned often requires requests from five or six contractors. You may temporarily remove certain contractors from a list or let the homeowner know

that they are not eligible to bid if you determine that their present workload prohibits their likely timely completion of this project.

- iii. *Collecting and summarizing contractor bids.* Make sure bids are responsive. They should include everything outlined in the work write-up (and include cost breakdowns).
 - iv. *Advising the owner on how to evaluate a contractor's proposal.* May provide a form. In cases where the owner determines the low bid is not qualified, the following actions and documentation must be maintained:
 - The owner chooses the next lowest bidder and cites a valid reason for disqualifying the lowest bidder.
 - The program concurs that the lowest bidder should be disqualified because the estimate is unrealistic (10 percent above or below estimate), there is reason to believe the contractor will not be able to complete the work in a satisfactory or timely manner, etc.; and
 - Any contract awarded to a contractor other than the lowest bidder shall be satisfactorily documented in the case file.
 - v. *Providing information on the past work of specific contractors.* This is allowable and can help homeowners to make better-informed decisions about the contractors that they choose. However, you should have already weeded out the poor contractors from your list and providing this information can lead to a couple of other issues. First of all if your contractors get wind that you are "bad mouthing" them, they may be less inclined to work on your projects. Secondly, it may be perceived by the homeowner that you are helping them to make a decision about their choice of contractor. This may create problems later when asked by government officials "who chose the contractor?" It needs to be very clear that the homeowner made the selection. One option may be to provide to the homeowners access to the contractor files, and to have within those files information related to your screening and evaluation of the contractors.
- d. Communication between the community, the homeowner, and any contractors involved in the project is very important to help this process go smoothly.

Receiving Adequate Bids

The manual should also contain elements to enable adequate bids to be received to ensure competition. Sometimes requesting three bids is not adequate, especially if some of the contractors solicited really have no intention of bidding because of lack of interest, busyness, etc. The community may have to adopt policies that go beyond the minimum requirements to make the competitive process effective. Keep the following principles in mind as you develop your local policy:

- Having fewer than three bids on a project is unacceptable. If you repeatedly have fewer than three bids, then you must find ways to increase the competition.
- It is vital to have an accurate in-house estimate prepared prior to the bidding process to compare with the bids. Any bid accepted must be within 10 percent of this estimate.
- It is important for the homeowner to solicit an adequate number of bids from contractors in order to receive a proper response. Three solicited contractors will likely not be enough.

An example of a method to increase the number of bids received when utilizing the homeowner procurement process, and which could follow many variations, is described below:

- Provide the homeowner with the total list of qualified and approved contractors and have them number them in order of preference (give their first choice a "1," their second

choice a “2,” etc.), and mark off of the list any contractors that they do not wish to do work on their house. Call each contractor in the homeowner’s order of preference and ask them if they are able to commit to attending the pre-bid conference and submitting a bid on this project. Continue this process until you have three or more contractors who are not too preoccupied with other work to make the commitment. Remove all contractors from the list who repeatedly renege on their commitments.

Also remember the following when using homeowner procurement:

The homeowner must be the party that selects the contractors invited to bid on the work. As noted above, no fewer than three contractors must be solicited for bids. Documentation of the owner’s contractor selection must be maintained in the case file.

The homeowner must be the party that awards the contract to the contractor submitting the lowest and best bid. Documentation of the owner’s decision must be maintained in the case file. In cases where the owner determines the lowest bidder is not responsive or responsible, the following actions and documentation must be maintained.

- a. The owner chooses the next lowest responsible and responsive bidder and cites a valid reason for disqualifying the lowest bidder;
- b. The grantee concurs with the owner that the lowest bidder should be disqualified for valid reasons (e.g. the bid is unrealistic, there is reason to believe the contractor will not be able to complete the work in a satisfactory or timely manner, etc.); and
- c. The reason(s) why the contract was awarded to a contractor other than the lowest bidder shall be satisfactorily documented in the project case file. Note: owners must not be allowed to reject the lowest responsive, responsible bid in order to select a favored contractor with a higher bid and then elect to pay the difference.

Procurement for Work in Emergency (urgent) Situations

Also be sure to include in the manual special procurement requirements for emergency situations, including an explanation of when they will be used. Section 4, C, 1, of the Housing Program Manual contains a discussion of procurement requirements.

The procurement approach used depends on the urgency of the repair. Following is an outline of procedures to follow for urgent repairs:

If the urgency of the repair is great (such as the repair of a water supply line that is leaking water all over the floor with no place to shut it off); in other words, if the nature of the emergency is such that there is not adequate time for normal homeowner procurement that requires written bids, then noncompetitive negotiations can be followed that include the homeowner. The following is a rough outline of how the steps in the process would typically proceed:

- a. Go to the house and ascertain the situation. If it is an emergency that can effectively be addressed within the parameters of the program (the homeowner is eligible, etc.) write up a scope of work and prepare a cost estimate on the spot (this may require taking your cost estimating book with you and arriving at a ballpark figure for comparison).
- b. Go over the scope of work with the homeowner and have them sign an approval for the work and choose the order that they want the contractors on the pre-qualification list contacted.

- c. Call the homeowners first choice of pre-qualified contractors (you should have current copies of workers compensation and liability insurance on file for all pre-qualified contractors) on the phone, provide them with a clear verbal scope of work and get a verbal quote. This could be lump sum, per unit cost, or materials and labor (with a known labor rate and an estimated number of hours to complete). Using your cost estimate as a comparison, determine if the cost is reasonable and if the contractor is willing and able to complete the work within the necessary timeframe. If not (or if the contractor does not respond), call the homeowner's second chosen pre-qualified contractor and repeat the process.
- d. Once you have found a contractor able and willing to do the work within the given time frame and at an acceptable cost, provide a verbal ok to proceed with the project.
- e. Write up a simple contract (add the scope of work, cost and payment provisions to a form document with language approved by your local government legal staff). This may be done while waiting for the contractor to arrive. Meet the contractor at the site. Go over the scope of work with the homeowner and contractor. Have the homeowner sign the contract and the contractor sign a non-collusion affidavit (provide them with a copy and keep one for your files). They may now begin work.
- f. Once work is completed, inspect the work and ask the homeowner to sign a satisfaction statement, and the contractor to write up a request for payment.
- g. Documentation for your files will include a description of the emergency nature and urgency of the work, your written scope of work and cost estimate, the signed contract, the non-collusion affidavit, an inspection report, owner satisfaction statement, the request for payment, lien waiver, any warranties and a record of payment.

Construction Contracts

The manual must ensure that all new housing construction, rehabilitation, and repair work is-identified in a written, executed contract covering all construction work. All contracts, at a minimum, must include the following elements.

- a. Construction start and completion dates.
- b. Cost of the work, method and breakdown of disbursements (payments). This should include details about work to be completed and inspection requirements prior to payments.
- c. Retainer, release of liens (CDBG funds cannot be escrowed).
- d. Detailed scope of work and (by reference) the work specifications.
- e. Subcontracting requirements, if applicable.
- f. Daily property maintenance and site clean-up provisions.
- g. An outline of procedures for inspections and changes in the scope or costs of work (change-orders).
- h. Procedures for resolving disputes and termination of the contract.
- i. All appropriate federal, state and local provisions, including, but not limited to:
 - Non-discrimination requirements and WBE/MBE provisions.
 - Ohio Mechanics Lien Provisions.
 - Insurance requirements (liability).
 - Worker's Compensation Coverage Requirements.
 - Non-collusion Certification.

- Debarred and suspended contractor provisions.
- j. One-year warranty on all work. (In addition, the contractor should provide the owner with any manufacturers' warranties on installed materials).
- k. Signatures of the contractor and owner (copies of the contract should be given to all affected parties).

Use of Owner – Contractors

The manual must describe the policy regarding the involvement of owners doing all or a portion of the construction work on their properties. This policy should include if and when the use of owner-contractors is permitted, and how funds will be disbursed to pay for materials after the work is completed. If an owner of the property to which work will take place is also acting as the contractor, a written, executed contract between the owner/contractor and the grantee must be placed in the individual case file. This requirement applies to all housing new construction/rehabilitation/repair programs administered by OCD. While allowing owners to perform their own work is a way to lower construction costs, it also can create potential problems. Consequently, OCD does not recommend the use of owner-contractors unless the person is adequately skilled and committed. If a local program allows the use of owner-contractors, the following requirements apply:

- The owner's skill level to perform the work properly and commitment to complete the job on time must be assessed. For tasks that require advanced construction/trade skills or knowledge, the grantee must require owners to provide evidence of their qualifications to do the specific work, or that portion of the work must be contracted out.
- The scope of the work to be done, the quality of the materials to be installed, the standard to which the work must comply and the timeframe to complete the project must be agreed upon in writing. Owner-contractors must be held to the terms of the agreement.
- An assessment of the owner's resources must be done to verify that he/she will be able to purchase materials for a timely completion.
- The program can only pay for the materials that are installed. Unlike contractors, owner-contractors must provide itemized receipts for all materials for which reimbursement is requested. Program funds cannot be used to reimburse the owner for his labor or to pay for tools that are purchased by the owner in order to perform the work (limited tool and equipment rental is an exception).

Construction Management and Improving Work Quality

The manual must describe the policies and procedures covering the management of the construction process. The policies should cover all aspects of the construction process, including those outlined in HUD's CPD Notice 90-33 "Improving Rehabilitation Construction Quality." Grantees must be directly involved in their quality control system and, in general, their construction process, particularly in the areas of work write-ups and reasonableness of costs. They can help assure that construction work is properly performed at a reasonable cost by ensuring that the following policies and procedures are incorporated into the administration of their programs.

- a. Property Owners Guidebook. As a practical program administration matter, grantees are advised to develop an easily understood guide for property owners designed to

“educate” the property owner about the realities of the construction process. The guide should delineate the roles and expectations for all parties to the construction process.

- b. Performance Manual. Grantees must also have a written Performance Manual (master specifications) that defines and provides technical specifications for the repair methods and materials to be used to achieve the grantee’s performance standards. **A copy of this manual must be submitted as an attachment to this Policy and Procedures Manual.** Each participating contractor must have a copy of the manual. The Performance Manual is often the primary document for defining and enforcing work quality. At a minimum, it should:
- Describe the documents governing the construction process;
 - Outline the roles and responsibilities of the parties;
 - Identify the acceptable specifications for each material item used in construction. Where practical, material specifications should be performance-based rather than based upon a brand name; and
 - Describe the entire scope of work for each construction work item, including installation methods. These items are generally organized by trade or structural component (i.e., electrical system, roofing, plumbing, etc.) and should fully define each complete rehabilitation task.
- c. Work Write-Ups. Clearly written, well-organized work write-ups must be prepared which precisely define the construction work to be undertaken to correct deficiencies and bring the project up to the program’s prescribed standards. The program’s Performance Manual or technical specifications should be restated, or incorporated by reference in the work write-up. Each work write-up must be specific to the project and contain only the items that are to be addressed. The write-up should be detailed enough to identify each item that will be assigned a cost for bidding. When optional work is appropriate, these items should be identified separately as optional or alternative work items.

Good work write-ups are unambiguous and can be readily understood by all parties to the rehabilitation process, as well as by neutral parties. In addition to noting the work to be done, the write-up must also identify the location, quantity and quality of the work. The format should be organized logically. OCD recommends that work write-up be organized by specialty trade and by location (on a room-by-room basis, where applicable). For clarity, floor plans, drawings and charts should be added where appropriate, such as for detailing the electrical work. In order to minimize confusion, OCD recommends that owners sign to acknowledge acceptance of the work write-up and initial each item or page.

- d. Cost Estimates for Work Specified. For each construction project, an estimate of reasonable cost must be prepared by a qualified person(s), based on the scope of work and technical specifications contained in the work write-up. The cost data used to determine the cost estimate must be accurate, relevant and detailed. Also, the data must come from recognized sources such as the grantee’s own records of similar but recently completed projects, industry professionals and suppliers or published estimating manuals. Note that grantees must be able to justify their cost estimates. Guessing and “gut reckoning” are not acceptable methods. Cost estimates should be as thorough and accurate as possible in order to prevent subsequent cost-related problems such as unexpectedly high bids, re-bidding, “walk-away” projects and unhappy clients. Grantees should take steps to identify and correct problems when there are routine and/or significant differences between the cost estimate and bids. A number of resources are

available to assist with this process including references such as Means, Dodge, Craftsman, HomeTech, etc.

- e. Property Inspection Policies. Grantees must have written program policies and procedures that define the roles and responsibilities of inspectors and how and when inspections will be scheduled. Built into the grantee's inspection policies and procedures should be a method for ensuring quality control, such as spot checks by supervisory or senior inspectors to assure program administration consistency and integrity. Documentation of all on-site inspections must be maintained in the case file. Four types of inspections are required, as follows.
 - i. Initial Inspections. For rehabilitation or repair projects, the initial inspections assess the original condition of the house, determine if the project is feasible under the program guidelines and gather the information necessary to prepare the work write-up, cost estimate and bid specifications. In addition to thoroughly inspecting the house and property, the rehabilitation specialist should interview the homeowner to discover if any improvements have been made to the home, if there are specific problems with the home and if any household members have special needs, etc. For projects that will exceed \$5,000 in rehabilitation assistance, a Lead Risk Assessment is required to be performed by a licensed Risk Assessor, and the results of said Risk Assessment integrated into the bid specifications.
 - ii. Interim or Progress Inspections. Interim inspections determine the status of the construction, verify contractor payment requests and help to ensure work quality and conformance to the construction contract. Sometimes interim inspections must be timed to match specific events such as inspecting key work items (e.g. wiring work prior to enclosure behind drywall) or responding to payment requests. However, unannounced interim inspections should also be made with some frequency to spot check contractor performance, answer contractor questions, etc.
 - iii. Final Inspections. Final inspections verify that the work is properly completed prior to issuing final payment to the contractor. Final inspections are also made to verify that the owner is satisfied with the work and has received all of the required warranties and other material manufacturer information from the contractor. Owner satisfaction statements must be obtained in writing and maintained in the case file. If a punch list of unfinished items is created, another final inspection must be made before the final payment can be made and the owner satisfaction statement can be obtained.
 - iv. Lead Hazard Control Clearance Examination. The project must pass a clearance examination by a qualified Clearance Technician, Lead Inspector or Risk Assessor before work can be approved for payment.
- f. Change Orders and Time Delays. Policies and procedures for dealing with change orders and time delays in the construction process should be addressed. Any changes to the agreed upon work must be documented by a change order that indicates the change in work, change in price or change in work completion dates. All parties, including the homeowner, the contractor, the grantee and the authorized representative of the grantee must sign the change order. All change orders must be attached to the original contract.
- g. Pre-Bid Meeting ("Walk-Through"). Grantees shall hold a pre-bid conference or walk-through at the project site with the contractors who have been invited to submit bids.

Pre-Bid Meetings are typically and preferably held at a single time and include all contractors submitting bids. Alternatively, OCD will allow the rehabilitation specialist to meet each contractor individually at the project site for the purposes of a walk-through. The purpose of the walk-through is to orient the contractors to the scope of work, to allow the owner to meet the contractors and to provide the contractors the opportunity to discuss and clarify the bid specification items. If alternative items are warranted, these must be provided in writing, as an addendum, to all participating contractors. OCD requires all pre-bid walk-through to be attended by the rehabilitation specialist and to be mandatory for contractors wishing to submit a bid.

- h. Pre-Construction Conferences. Grantees shall hold a pre-construction conference with the contractor and the property owner and a program representative. The meeting should address the extent of the work to be performed, the schedule, special conditions and any specific concerns or questions any of the parties might have. Pre-construction conferences are often the opportunity for owners and contractors to settle on the color or type of some materials, the specific location of certain items and to negotiate family and contractor schedules. The pre-construction meeting must be documented and a form maintained in the case file. OCD recommends that pre-construction conferences be held at the project site.
- i. Quality Control. Describe procedures for conducting spot checks on the rehabilitation specialist's inspection results and construction management practices. Detail the position of the local person responsible for this percentage of units to be inspected and the scope of the inspections, etc.

IV. Disbursement of Funds

- 1. Describe the policies and procedures for disbursing funds to vendors, contractors, consultants, clients and any other entities participating in the program or providing services. Notes on the required elements are included below. Include a description of how oversight and appropriate checks and balances will be provided, a description of the process, and any required documentation, inspections, retainers, etc. to ensure that payment is only made for services satisfactorily provided.**
- 2. Describe the policies and procedures that the community will implement to ensure that contractors and other vendors are paid in a timely manner.**
- 3. The division of administrative responsibility associated with the procedures for the disbursement of funds as outlined in this section must be clearly detailed for each staff position (also see the section on staff roles under Section X – A, Activity Design).**
- 4. Provide, in Section XI – A of the manual, copies of all forms associated with the disbursement process.**

The manual must describe the policies and procedures for disbursing funds to vendors, contractors, consultants, clients and other entities participating in the program or providing services. The procedures must conform to accepted accounting practices and the OCD Financial Management Rules and Regulations. All disbursements must be only for obligations incurred in the performance of the grant and must be supported by contracts, invoices, vouchers, and other records evidencing the necessity of the expenditures.

Invoices, Payments and Retainage of Funds. Grantees shall establish procedures for the disbursement of funds to contractors. These procedures must include a description of any provisions for partial payments or retained funds and must identify the documentation required for releasing funds. At a minimum itemized invoices, lien waivers and certifications from the inspector and the owner that the work has been satisfactorily completed must support payment requests. The work must be inspected prior to authorizing payment. Payments must not be made if the work is not complete or if the work is not included on the contractor's invoice. Inspections for drawdowns must clearly indicate which contract items have been completed, and the draw amount should relate to the item cost totals.

Depending on the size of a project, grantees may want procedures that provide for interim payments based on a pre-determined schedule. For example, a procedure might allow for contractors to request a draw after 50 percent of the work is completed and another draw after all of the work is completed. (However, grantees operating under the terms of the ODSA/Ohio Department of Health Interagency Agreement, should note that no more than 75 percent of the Lead-Based Paint [LBP] -related project funds can be released to the contractor until clearance is achieved.) Grantees should also consider tailoring payment procedures as needed to meet the legitimate business needs of contractors or to meet special situations. For example, small contractors with limited cash flow might need the ability to request draws more frequently than larger more established contractors. Or, it might be advisable to restrict the number of draws available to contractors that are new to the program or whose performance is otherwise under increased scrutiny.

V. Conflict Resolution

- 1. Describe the policies and procedures for the resolution of conflicts that may arise between clients and contractors, clients and program administrators/community and/or contractors and program administrators/community.**
- 2. Explain practices that will be followed to reduce the opportunity for conflicts to arise.**
- 3. The division of administrative responsibility associated with the procedures for dealing with the resolution of conflicts as outlined in this section must be clearly detailed for each staff position (also see the section on staff roles under Section X – A, Activity Design).**
- 4. Provide, in Section XI – A, copies of all forms related to the conflict resolution process.**

Grantees shall establish procedures for the resolution of conflicts between the owner, contractor and program. A copy of the sample OCD Client Complaint Resolution Process is included in the Appendices of the Housing Program Manual. The procedure must be in writing and available to each program applicant and recipient. The procedure must, at minimum, conform to the following requirements:

- All client complaints must be submitted in writing.
- The grantee must respond in writing to the claimant within 15 calendar days of receipt of the complaint.
- A review committee comprised of objective and knowledgeable people, who are not involved in the complaint and do not have a conflict of interest regarding its outcome, must be established.
- The claimant must have the option to present their complaint, in person, before the committee.
- The committee must respond in writing to the claimant within 15 days of the hearing.
- The services of the closest Dispute Resolution/Mediation Program must be available, if necessary.

VI. Program Income

- 1. Describe the local policies governing the management and expenditure of program income. The method must be in compliance with the current OCD Program Income Policy.**
- 2. Describe the policies and procedures related to the tracking and collection of program income including the collection of liens when properties are sold or transferred.**
- 3. Detail the procedure for the approval of the commitment of program income funds to a project.**
- 4. Describe the policies, procedures and conditions regarding the use of program income for administrative costs.**
- 5. The division of administrative responsibility associated with the procedures for managing program income as outlined in this section must be clearly detailed for each staff position (also see the section on staff roles under Section X – A, Activity Design).**
- 6. Provide copies of all forms related to the management of program income in Section XI – A.**

Note: All HOME and CDBG funds that are repaid are considered program income. The concept of “found money” (less than \$25,000 in a calendar year) does not apply.

VII. Acquisition/Relocation

Acquisition/Disposition/Down Payment Assistance

- 1. Where appropriate, provide a copy of the log the grantee will utilize for logging all personal or real property acquired or disposed.**
- 2. Where applicable, describe the process the grantee will follow when acquiring property.**
- 3. Where applicable, provide a disposition plan.**
- 4. Describe the process that the grantee and grant recipient will follow when awarding down payment assistance for the purchase of a home to ensure that no displacement exists.**

Relocation

- 1. Identify whether the grantee or its beneficiaries (applicants) plan on acquiring occupied, unoccupied or both types of real property.**
- 2. Describe the procedure to be followed for all of the following that may apply during the current CHIS period: temporary, permanent, voluntary and involuntary acquisition.**

Note: The Uniform Relocation Assistance (URA) and Real Property Acquisition Act of 1970, as amended, covers acquisition and recordkeeping rules.

VIII. Civil Rights

Fair Housing

1. The administrative responsibilities associated with the fair housing and citizen participation components must be clearly detailed for each related staff position, including the local fair housing contact (also see the section on staff roles under section X – A, Activity Design). The fair housing contact must be the same as the contact for the community’s standard Fair Housing program.
2. Describe the fair housing and citizen participation outreach activities that will be carried out. Include a discussion of the frequency, location and extent of each activity. Also describe efforts that will be made to enhance the program’s effectiveness and to collect data.
3. Provide a description of the fair housing materials that will be distributed, including a discussion of materials that will be available in alternate languages, if another language is commonly used and understood by a portion of the population to be served (e.g., information in Spanish).
4. Explain the plan for implementation plan and the record keeping system to be used. Provide a written description on how data on the race, ethnicity, gender and disability will be obtained and documented for each program applicant, beneficiary, contractor, consultant, etc.
5. Present the plan for assuring that fair housing and affordable housing concerns are communicated and acted upon quickly and appropriately.
6. Describe the policy for assuring that any written information about the CHIP program includes the equal opportunity logo and include the name, address and phone number of the local fair housing contact.
7. Provide an explanation of the policy for assuring that all activities are conducted in compliance with all CDBG and HOME equal opportunity, civil rights and fair housing requirements. (All persons, without regard to race, color, religion, sex, national origin, familial status or handicap, are to be made aware of the range of housing opportunities available to them. Activities must be designed to further the housing objective of avoiding undue concentrations of assisted persons in areas containing a high proportion of low and moderate income persons.)
8. Provide a policy for the evaluation of the program offices, services, materials, etc. to assure that they are accessible for persons with disabilities.

Affirmative Marketing

1. If a community is undertaking rental rehabilitation or new construction for rental or lease that may have five or more units under one ownership, develop a written policy for how the community will affirmatively market housing projects.

Accessibility

- 1. If applicable, describe what controls the community will adopt to assure that projects developed or substantially rehabilitated by a single entity of five or more units (regardless if they are one a single or multiple site) comply with Section 504 of the Rehabilitation Act of 1974, as amended.**
- 2. If applicable, describe what controls the community will adopt to assure that projects developed by a single entity of four or more connected units (regardless of whether they are one a single or multiple site) comply with the Federal Fair Housing Act.**
- 3. If applicable, describe what controls the community will adopt to assure that any facilities constructed or rehabilitated will comply with the Architectural Barriers Act.**

IX. Environmental Review

- 1. Describe the administrative roles and responsibilities associated with all staff that will be conducting, maintaining compliance and providing record keeping for the environmental review (also see the section on staff roles under section X – A, Activity Design).**
- 2. Describe how the person(s) conducting the environmental review will maintain the capacity to conduct reviews. The environmental officer is required to attend Environmental Review training offered by OCD at the annual training summit.**
- 3. Provide copies of any coordination agreements with entities listed at 24 CFR 58.5 and 58.6 that will be utilized during the current CHIS period for the CHIP Program.**
- 4. Describe what process the grantee will follow to assure that the environmental review is completed prior to the final design, bid and construction of any activity or project.**
- 5. Provide a description of the policies and procedures to be followed in obtaining Ohio Historical Preservation Office (OHPO) clearance regarding properties subject to Section 106.**

Note: OCD encourages all grantees to consider conducting an environmental assessment for the housing programs to ensure that the highest level of clearance needed can be obtained. This will permit replacement of substandard homes and other “new construction” activities such as room additions, tap-ins, etc. to be conducted.

X. Activity-Specific Elements

Program design descriptions with all of these components are required to be addressed in the manual for each client-based activity to be undertaken with CHIP funds during the five-year period for which your community's current Community Housing Improvement Strategy (CHIS) will be in effect. The design descriptions for all project specific activities, as well as certain specified components of the client-based activities, will be required as a part of the community's application for CHIP funding. The eligible activities that the community must address are those outlined in the community's current CHIS. For convenience, a list of the eligible CHIP activities from the state of Ohio Consolidated Plan is provided below. These eligible activities are subject to change from year to year and are subject to certain provisions outlined in the consolidated plan, so be sure to consult the current state of Ohio Consolidated Plan and your community's current CHIS for the appropriate activities to address in the manual. Also be aware that all federal and state regulations and OCD policies that relate to each of these individual activities must be followed. Full descriptions of these activities and the associated OCD policies is found in the Housing Program Manual, Section 1, and should be used as a reference as the local policies and procedures governing each activity are determined.

Primary Housing Activities

Private Owner Rehabilitation
Down Payment Assistance
Down Payment Assistance/Private Owner Rehabilitation
Rental Rehabilitation
Public Residential Rehabilitation, including shelters for Special Needs Populations
Home Repair (this activity is limited to \$100,000 per grant)
Residential Utility Service Lines
New Housing Construction (special restrictions on using CDBG funds for this activity)
Equipment Acquisition (Tool Loan Program)

Supportive Activities

Clearance/Demolition (must be linked to provision of land for a project specific activity)
Acquisition (special restrictions on using CDBG funds for this activity)
Relocation Payment/Optional Relocation (not linked to a primary housing activity)
Emergency Monthly Housing Payment (special restrictions on using CDBG funds)
Tenant-Based Rental Assistance
Code Enforcement (special restrictions on using CDBG funds)
Planning (not to exceed \$10,000)
Public Service (not to exceed 15 percent of the grant)

Secondary Activities (Limited to 20 percent of grant request and must be linked to a primary activity)

Sewer
Water
Storm Sewer
Streets
Sidewalks/Curbs
Demolition

A. Activity Design

Behind the tab for “Activity Specific Elements” provide a tab for each client-based activity proposed in the community’s CHIS (and consistent with the Ohio Consolidated Plan) to be undertaken with CHIP funds during the five-year period in which this manual is in effect. Under each of these tabs provide a section “A. Activity Design.” Under this section provide a narrative describing the activity to be undertaken and include the following components, as appropriate:

- 1. A narrative description of the activity to be undertaken**
- 2. The location of the activity to be undertaken**
- 3. A statement of the purpose for the activity and the National Objective**
- 4. A description of the target population**
- 5. A description of any housing standards or codes that must be met**
- 6. A description of any required preplanning or related design elements that must be addressed**
- 7. A description of the procedures to be followed in implementing the activity and the roles of staff involved in the implementation**

Activity Description:

Provide the name of the activity and a narrative description of the activity to be undertaken (reference is found in the “Housing Handbook,” Section 1). Also describe any secondary activities or outcomes associated with this activity. For example, Homebuyer Counseling, Lead Testing, and/or Relocation could all be secondary activities and outcomes associated with the primary activity Down Payment Assistance/Rehabilitation.

Location:

The activity design must cover the geographic area where assistance will be provided. Generally this will be the area covered by the CHIS (the entire city or county). In this case a statement to that effect will generally suffice, although it is important to clearly note any excluded areas (for example, a city within the county that has its own CHIS) Also, in some cases, the activity will be in or will give priority to specifically targeted areas. In this case, the locations must be clearly described for all targeted areas. Maps of specific Census tracts, townships, villages, cities, etc. must be provided and explained. Also reference the appropriate section of the CHIS that explains the special need in this area. If priority will be given to certain areas, also describe the process for giving priority to those areas.

Purpose:

What is the purpose of the planned activity and how does it tie in with the needs of the community as identified in the community’s CHIS? What is the national objective that is being met, and how does this activity meet this objective?

Target Population:

Describe the population to be targeted through this activity (for example renters below 30 percent AMI). Include the income characteristics of the population as well as any other distinguishing characteristics. Include a description of any groups that are to be given a set aside of funds or priority through this activity. Target population may be defined in terms of income groups, location, type of residence, age of household, etc. If priority will be given to certain groups, describe the process for providing priority to them. Be careful of excluding certain populations from all activities by always giving preference to the same group(s).

Housing Standards/Codes:

Provide a discussion of any housing standards or codes that will be met in conducting this activity. Identify any local codes that apply to this activity and describe the process for coordinating with the local code officials.

Note: The minimum CHIP housing quality/rehabilitation standards are:

- OCD Residential Rehabilitation Standards (RRS, 1998 Edition, or most recently adopted version) and local code is required for Rehabilitation and Down Payment Assistance activities that involve existing structures. Units repaired under a Home Repair activity are subject to RRS for only those items repaired;
- Housing Quality Standards (HQS) is required for units occupied by persons receiving TBRA and Emergency Rental Assistance;
- CABO One- and Two-Family Dwelling Code (or the most recent residential code adopted by the state of Ohio) and local code are required for new construction activities involving buildings containing less than four dwellings. New construction or project specific activities involving buildings with four or more units, must meet the latest adopted version of the appropriate commercial building code;
- The U.S. Department of Housing and Urban Development's Guidelines for the Evaluation and Control of LBP Hazards in Housing is required for units receiving lead reduction/evaluation assistance; and
- Any locally adopted codes that apply to the type of work being performed. These must be clearly spelled out in the manual.

Note: Improvements to units assisted under the Slum/Blight National Objective on an area basis must be limited to those items that qualified the unit as substandard.

Preplanning and Activity-Specific Design Criteria

Describe any preplanning or activity specific design elements that need to be addressed for each activity. The following items need to be addressed for these specific activities:

New Construction or New Construction/Down Payment Assistance

- a. Describe the development process, including a discussion of the following elements:
 - Describe what will be done (Examples: i. Construction of a stick-built house on a site already owned by the client and the provision of a portion of the down payment assistance. ii. Work with a client to purchase a suitable site, the provision of site improvements, and the placing of a manufactured unit on the site). Also discuss the feasibility and justification for the chosen approach.
 - Site selection criteria, if applicable. Include a discussion of existing and adjacent land use, proximity to necessary services, liens, slope, drainage, floodplains, zoning, easements, size, soil suitability, disposal of waste, availability of water and other utilities, etc.
 - Policies and procedures related to the provision of site improvements, (utilities, driveways, landscaping, etc.) if applicable.
 - Provide a breakdown of what the projected costs will be, what the CHIP funds will be used for (land acquisition, site improvements, construction costs, purchase of a manufactured unit, etc.) and the likely source of funding for the remainder of each project.
 - If applicable, describe any sweat equity to be used in the projects, and a discussion of the policies and procedures to be followed in managing this process.
- b. Policies and procedures associated with any other secondary outcomes – homebuyer counseling, for example.
 - Describe how the process is integrated with the primary activity.
 - Detail the documentation process for verification of outcomes and compliance with requirements.
- c. Detail the procedures and policies related to any pre-inspections or tests to be conducted to ensure the suitability of the site. Examples may include testing of percolation for a septic system, or determining the feasibility and costs of obtaining well water.

Private Owner Rehabilitation

- a. Policies and procedures for dealing with LBP.
 - Identify the licenses that will be maintained by the program staff.
 - Describe the procedures associated with integrating LBP into the selection of units, the development of rehabilitation specifications, contracts, and scope of work.
 - Describe the process associated with the coordination of trades when conducting lead work associated with rehabilitation.
 - Describe when interim controls will be used and when abatement will be used.
- b. Policies and procedures for the temporary relocation of clients during the rehabilitation process, if applicable.

- c. Policies and procedures associated with any other secondary outcomes – home maintenance counseling or lead testing, for example.
 - Describe how the process is integrated with the primary activity.
 - Detail the documentation process for verification of outcomes and compliance with requirements.
- d. Detail the policies and procedures associated with the implementation of the required inspections and tests for items such as wood boring insects, well water quality, private septic systems, etc. as outlined in Appendix H of the Residential Rehabilitation Standards (RRS).

Note: Costs associated with complying with local, state and federal requirements, including 24 CFR 35, etc. (9/15/99), are considered to be part of the cost of providing the service. Therefore, the costs to comply with the LBP requirements, including the costs for inspecting or testing for LBP, assessing the LBP hazards, removing or controlling the hazards and clearing the hazard control work, must be budgeted within the amount of funds requested. While the cost of the hazard control work (i.e., “hard costs” directly related to abatement or interim control work) must be charged to the project being rehabilitated, the costs associated with evaluation (i.e., inspection, testing, assessment and clearance) may be charged to either implementation or the specific project. This also applies to the other required tests and inspections as outlined in appendix H.

Rental Rehabilitation

- a. Policies and procedures for dealing with LBP.
 - Identify the licenses that will be maintained by the program staff.
 - Describe the procedures associated with integrating LBP into the selection of units, the development of rehabilitation specifications, contracts and scope of work.
 - Describe the process associated with the coordination of trades when conducting lead work associated with rehabilitation.
 - Describe when interim controls will be used and when abatement will be used.
 - Discuss the community’s policies regarding the requirement that property owners must incorporate ongoing lead-based paint maintenance activities into their regular building operations in accordance with CFR 35.935.
- b. Policies and procedures for the temporary relocation of clients during the rehabilitation process, if applicable.
- c. Policies and procedures associated with any other secondary outcomes – home maintenance counseling or lead testing, for example.
 - Describe how the process is integrated with the primary activity.
 - Detail the documentation process for verification of outcomes and compliance with requirements.

Detail the policies and procedures associated with the implementation of the required inspections and tests for items such as wood boring insects, well water quality, private septic systems, etc. as outlined in Appendix H of the Residential Rehabilitation Standards (RRS).

- d. Discuss the type of financial mechanism used to encourage property owners to participate in the activity. Assistance should be arranged so that it is reasonable and based on the owner's ability to repay while maintaining affordable rents and making a return on the investment.
- e. Describe the process for the escrow or collection of the landlord contribution, and define the policies for the sharing of construction costs and any additional costs resulting from change orders.
- f. Describe the policies and procedures for assuring that rents remain affordable and according to HOME guidelines, and that occupancy by low income households as outlined in the HOME regulations is assured – including the verification of income on an annual basis as required by HOME. Describe the record keeping process.

Note: Costs associated with complying with local, state and federal requirements, including 24 CFR 35, etc. (9/15/99), are considered to be part of the cost of providing the service. Therefore, the costs to comply with the LBP requirements, including the costs for inspecting or testing for LBP, assessing the LBP hazards, removing or controlling the hazards and clearing the hazard control work, must be budgeted within the amount of funds requested. While the cost of the hazard control work (i.e., "hard costs" directly related to abatement or interim control work) must be charged to the project being rehabilitated, the costs associated with evaluation (i.e., inspection, testing, assessment and clearance) may be charged to either implementation or the specific project. This also applies to the other required tests and inspections as outlined in appendix H.

Home Repair

- a. Policies and procedures for dealing with LBP.
 - Identify the thresholds for determining when LBP must be addressed.
 - Identify the licenses that will be maintained by the program staff.
 - Describe the procedures associated with integrating LBP into the selection of units, the development of work specifications, contracts, and scope of work.
 - Describe when safe work practices will be used, when interim controls will be used and when abatement will be used.

Note: Costs associated with complying with local, state and federal requirements, including 24 CFR 35, etc. (9/15/99), are considered to be part of the cost of providing the service. Therefore, the costs to comply with the LBP requirements, including the costs for inspecting or testing for LBP, assessing the LBP hazards, removing or controlling the hazards and clearing the hazard control work, must be budgeted within the amount of funds requested. While the cost of the hazard control work (i.e., "hard costs" directly related to abatement or interim control work) must be charged to the project being rehabilitated, the costs associated with evaluation (i.e., inspection, testing, assessment and clearance) may be charged to either implementation or the specific project.

- b. Describe the scope of the activity, including a discussion of eligible and ineligible types of work.

Remember that, unlike Private Owner Rehabilitation, the Home Repair activity can address only one or two specific problems that adversely affect occupant health and safety and/or the homes structural integrity. Note that the Home Repair work must be

limited to correcting only the problem(s) that qualify the home as a Home Repair project and items that are directly related to correcting that initial problem(s). The types of work that are generally considered to be eligible for the Home Repair activity include the following:

- Structural System Repairs and Replacements (e.g. roof and foundation work)
- Mechanical System Repairs and Replacements (e.g. electrical, Plumbing and HVAC)
- Water or Sewer Tap-ins
- Well and Septic System Repairs and Replacements
- Accessibility Improvements
- Lead-based Paint Hazard Control Work

Applicants are no longer required to choose one or two types of Home Repair work. Instead, the Home Repair activity includes all of the above types of work. However, applicants may limit their Home Repair program design to specific types of work if they so choose. Note also that there is no longer a category of Home Repair known as “Emergency Home Repair.” Instead, the term “emergency” is relevant for determining contractor procurement procedures, qualifying a Private Owner Rehabilitation project for Home Repair assistance or exempting a project from the LBP requirements per 24 CFR Part 35.115 (a)(9).

Down Payment Assistance or Down Payment Assistance/Rehabilitation

- a. Discuss how the community will ensure that units will meet OCD RRS. **Note:** If no rehabilitation activity is proposed for down payment units, then the units must meet OCD RRS at closing. Repairs necessary to bring a unit up to OCD RRS must come either from private sources or from a down payment assistance/rehabilitation program that the community is operating (e.g., CHIP, etc.). Grantees must ensure that all units meet OCD RRS. The housing must be free from all noted health and safety defects before occupancy and units not tied to down payment assistance/rehabilitation must meet OCD RRS at closing. Units tied to rehab must meet OCD RRS within six months of closing; therefore, communities proposing a Down Payment Assistance Program must propose the activity as Down Payment Assistance/Rehabilitation in order to ensure that units can meet OCD RRS or propose new construction units (also be aware that even new units may not meet RRS).
- b. Policies and procedures associated with any other secondary outcomes – home maintenance counseling or lead testing, for example.
 - Describe how the process is integrated with the primary activity.
 - Detail the documentation process for verification of outcomes and compliance with requirements.
- c. **All Down Payment Assistance/Rehabilitation activities must include the requirements above plus all of the items listed under the section for Private Owner Rehabilitation. All Down Payment Assistance and Down Payment Assistance/Rehabilitation activities must also include all of the elements listed under the section for Homebuyer counseling.**

Homebuyer Counseling

Homebuyer education and credit counseling are required components for all Down Payment Assistance (DPA) activities. When this activity will be offered to clients receiving DPA, the components described below must be included as a secondary outcome associated with that primary activity. When this activity will be offered as a stand-alone public service activity, then these components should be addressed as a separately tabbed activity.

- a. Describe the homebuyer counseling to be provided. See the required elements outlined below.

Communities may propose to conduct the counseling themselves or have it presented by another group, such as a lending institution or a public/private nonprofit agency. Regardless of who provides the counseling, the content, at a minimum, must address the pre- and post-purchase elements outlined below:

Note: The homebuyer education and counseling sessions addressing the pre-purchase items shall be provided to eligible applicants prior to receiving CHIP assistance.

- Counseling timeline: The activity design must address the sequence of the counseling integration with the application intake and award process. An outline of the steps should be provided that detail when in the process of selecting and purchasing of a home each portion of the counseling will be offered. Pre-purchase items such as information about predatory lending, credit management, etc. must be addressed prior to the client approaching a bank for a loan if they are to provide an educational benefit to the client.
- Homebuyer decision: This element should include counseling on analyzing the initial and long-term affordability; finding the “right” house (including a component on typical pitfalls, the importance of good inspections of the property and housing systems and a discussion of lead-based paint); fair housing; identifying the players; making the offer; signing the contract; shopping the financing; and a discussion of homeowners and mortgage insurance.
- Budgeting and credit management: This element should include counseling on establishing a savings plan and setting goals; understanding credit; building and maintaining a credit record; understanding the consequences of default; the pros and cons of refinancing, and predatory lending.
- Mortgage loan closing process: This element should include understanding the pre-closing requirements, loan closing documents and the closing process.
- Fair housing component: This element should include information related to potential discriminatory actions related to home ownership such as abusive and unfair lending, insurance redlining, unfair appraisals and other related issues.
- Home maintenance and repair: This element should include information on developing a maintenance plan; identifying problems and performing basic preventative maintenance; understanding basic repair safety precautions; and tips on hiring and dealing with a contractor.
- Client follow-up: This element should describe how the community would assess the degree of success that recipients are having with home ownership. Follow-up contact

should be made no sooner than three months after closing. Describe plans to meet follow-up (post-purchase counseling).

Tenant-Based Rental Assistance (TBRA)

- a. Describe the community's rent affordability requirements. Describe how the community program design does not exceed HUD's rent affordability requirements or create a housing cost burden.
- b. Describe the strategy for ensuring that homelessness will not result when this short-term rental subsidy program terminates (exit strategy).
- c. Describe the minimum tenant contribution as well as the method for subsidy calculation. Address how the community program design will comply with the HOME regulations.

The administrative cap for the operation of TBRA is 10 percent of the activity request.

TBRA is not eligible for Implementation funds.

Emergency Housing Assistance

- a. Discuss payment's use, such as security or utility deposits and/or rental assistance, mortgage payments to avoid foreclosure or rental assistance to avoid eviction.
- b. Discuss method of payment distribution to vendors.

Staff Roles and Procedures

The Division of Administrative Responsibility must be clearly detailed for each staff position for each activity to be undertaken by the community.

Common titles/roles are:	Program Administrator	Intake/Application Clerk
	Fiscal/Loan Officer	Rehabilitation Specialist
	Lead Risk Assessor	Lead Clearance Technician
	Program Manager	

Grantees shall clearly describe the roles and responsibilities of all parties involved in operating each program. The responsibilities associated with each component of the activity must be clearly addressed. This includes all staff, oversight by the local community, and the staff positions of all other agencies/firms involved in the administration/implementation of each activity (names do not need to be included).

B. Client Selection

General Guidelines for the Client Selection Process

In order to administer a program that is comprehensive and fair, each client application must be judged by the same set of standards. Following are some guidelines for setting those standards:

- The standards should be based on procedures that are comprehensive and fair, and that do not unduly discriminate against or favor any households on the basis of race, religion, national origin, color, age, sex, handicap, parenthood or familial status.
 - The standards should contain enough safeguards to insure that each application is judged by the same set of standards.
 - The standards should be based upon factors that will ensure that financial assistance is targeted to clients who will benefit the most from participating in the program.
 - The standards should ensure that units most in need of repair or rehabilitation are selected.
 - The standards should determine the order in which households applying for assistance will be served. This may include the development of a priority system for ranking applications.
 - The standards should have only one selection method per activity.
 - The standards should provide for a timely written notice to applicants of the status of their request for assistance.
 - For rental rehabilitation the standards should cover the selection of the property owner, the eligible tenant and the property.
 - For down payment assistance the standards should cover the process for selection of eligible financial institutions as well as the client and the property.
 - For down payment assistance combined with rehabilitation, standards for the client selection criteria should also detail property eligibility and cover the method for dealing with eligible applicants and ineligible properties.
 - For tenant based rental assistance the standards for selection criteria must be detailed. If the selection is based on housing authority policies, that criteria must be described.
- 1. The policies for determining the selection process for every household applying for assistance must be described for each client-based activity. Also describe the procedures to be followed in implementing the described policies.**

Eligibility is based on several factors that must be considered and documented:

- a. Gross annual Income based on household size.
- b. Assets of the applicants to benefit.
- c. The type of property selected and type of ownership permitted.
- d. Location and condition of the property to be assisted.

- e. Priorities to be allowed for certain groups, such as renters.
- f. Thresholds to be met as a condition of eligibility, such as homebuyer training.

2. Outline the policies and procedures for all of the following applicable elements associated with each activity.

Notice of Eligibility or Ineligibility – Describe the policy to notify a household that has been determined eligible or ineligible. Such notifications must be in writing and, if appropriate, include information about possible assistance from other agencies. Document what a client file will contain. If ineligible, for example, the file shall consist of an application for assistance, photographs, in-house cost estimate, and program policy governing the activity.

Solicitation of applicants/Marketing the Program/Waiting Lists

Describe the methods that will be used to solicit applications and market the program. Include procedures to be followed by staff as well as milestones for fulfilling these tasks. Examples of marketing methods include:

- Distribution of brochures at neighborhood meetings, or local fairs.
- Door-to-Door visits to targeted area households (elderly, disabled, concentrations of LMI households or other target populations) to enlist their participation.
- Soliciting applications through the local newspaper, radio, direct mailings, utility company mailings, senior citizen groups, housing authorities and churches.

Waiting lists: Many communities have been unable to assist all those who applied previously, and thus have developed waiting lists for future grants. If this is true in your community, you need to describe the process used in developing those waiting lists, as well as how persons in need who are not on the list can be considered for assistance.

Timing of Applications

Describe the policy and process for soliciting and accepting applications. Describe which of the following methods for soliciting and accepting applications will be used for each activity undertaken. Provide justification for the selected method in light of program and activity goals.

Examples of common application selection methods are:

- **Continuous:** Ensures that everyone can apply.
- **Staggered or Batched:** Application system with several rounds of client selection per year. By using this type of system, families, which were late in learning of the program's existence, will have a reasonable chance of applying for and receiving funding in subsequent rounds of the program.
- **Waiting list:** Some programs carry over applications into the next round, or the next program using a waiting list of eligible applicants for assistance.
- **Lottery:** A regulated drawing from a large pool of eligible applicants.
- **First Come First Served:** Applications accepted until funds are depleted.

Describe the locations and times for accepting applications, including the following:

- The designated locations for picking up applications.
- The procedures for tracking applicants.

Screening of Applicants

Application and Interview: Describe the procedures for reviewing and/or screening the applications prior to the award of assistance. A variety of methods are used for pre-qualifying or screening applicants, for example:

- *Preliminary application:* A short form application, sometimes called a pre-app, is used. This determines whether a household appears to meet the basic eligibility criteria. The applicant fills out this short form and submits it to the Intake/Application Clerk, who determines whether the applicant proceeds to the full application stage or is definitely ineligible. That can quickly be determined if the person does not live in the target area, is over-income or fails to meet any program thresholds.
- *Intake/Interview:* All potential applicants meet personally with the Intake/Application Clerk. If the interview indicates that the applicant is probably eligible, the complete intake may be done at that time. Or a future appointment may be scheduled, and a list of eligibility verification items may be provided for the applicant to bring to the intake appointment. This may include items such as a copy of recent paychecks, a copy of the deed to the property, documentation of hazard insurance and documentation that property taxes are current.

Thresholds: Describe any thresholds that will be universally applied for each activity and include necessary details. Below is a sample list of requirements that the client must meet in order to be eligible to participate in a down payment assistance program:

- Mandatory completion of homebuyer education classes prior to admittance to the program (must describe what portions of the classes must be completed prior to seeking bank approval and prior to receiving assistance).
- Bank pre-approval (define pre-approval).
- Resident in the community for a period of one year (define resident).
- Select an eligible property (define what constitutes an eligible property).
- Provide a client contribution (how much, what is eligible for inclusion as a contribution, and when will it be required).

Priority Rating Systems: Describe the ranking or rating system for scoring applications to ensure that those with the greatest need are chosen first. If a point system is used, it must:

- Provide a minimum point threshold for which applicants scoring below this minimum would not be considered for assistance.
- Provide a maximum total points and an explanation of scoring. For example, if a sliding scale is used, tell how the score for major or minor violations are differentiated and determined.
- Assign a majority of points based on the age and/or condition of the unit (for rehabilitation programs).
- Detail how the rating score is utilized with the batching or application selection process.
- Detail how the inspection process and housing deficiency score is determined, and at what point in the application process the rating is conducted.
- If a sliding scale for points is used, describe the basis for determining those points. Clearly define each category. For example, if points are scored based on whether a deficiency is minor or major, define what determines the threshold between the categories.
- Provide justification for the weighting of each category.

Housing or Project Eligibility Requirements

Describe the housing or project eligibility requirements, for applicable activities. Include a discussion of any of the following elements that are applicable.

Where applicable, describe the procedures for handling properties that are unsuitable for the activity. These are homes that cannot be undertaken by the program, and have been excluded because the costs exceed established limits, or because of failure to meet established underwriting criteria, or because the house is deteriorated to the point where rehabilitation or repair is not cost effective. Also include any referral process or other options that will be pursued in attempting to provide assistance in these situations.

New Construction

- Where applicable, detail the criteria for the eligibility of lots previously owned by the client, including a discussion of similar elements to those addressed for the purchase of new lots under the activity design criteria for new construction. Include a discussion of existing and adjacent land use, proximity to necessary services, liens, slope, drainage, floodplains, zoning, easements, size, soil suitability, disposal of waste, availability of water and other utilities, etc.
- Describe the criteria for determining the size, costs and type of house to be constructed considering such factors as family size, accessibility and affordability. Also discuss details of the housing selection process such as who will select the units, when will they be selected and on what basis (the selection of plans, competitive selection from manufactured home providers, etc.). Will the houses be ranches, two stories, Cape Cods or a combination of styles? What type of foundations will they have, what amenities will be allowed (fireplaces, whirlpool tubs, etc.)?

Elements Related to Housing or Project Eligibility Requirements

The manual must clearly describe for each activity the eligibility requirements for receiving assistance. Grantees must ensure that, at a minimum, all projects satisfy federal and OCD eligibility requirements. In addition to income eligibility and location of the property in a target area, these requirements may be based upon tenure, type of structure or other factors identified by the grantee. The following outlines OCD policy on five eligibility factors.

Mobile Homes

In Ohio, as of March 30, 1999, the term “mobile home” refers to a home that was constructed on a chassis in a factory and transported to a site, but does not meet the HUD Manufactured Home Construction Standards (MHCS) in effect at the time of manufacture, and does not have a label certifying compliance with those standards.

One of the main purposes of OCD-funded housing programs is to create and maintain affordable housing that meets the requirements of the RRS. However, mobile homes generally have a shorter useful life than standard site-built homes, modular homes or manufactured homes that are certified to meet the HUD MHCS. Also, mobile homes are generally constructed so that compliance with the RRS cannot be met without extensive alterations. Consequently, it is OCD’ policy that mobile homes are not eligible for rehabilitation or down payment assistance. Instead, assistance to mobile homes must be limited to CDBG-funded Home Repair. In addition, the following restrictions apply to mobile homes:

- The mobile home must be permanently supported on the lot. This means that the wheels and tires (and temporary axles and tow tongues) are removed from the chassis and that the chassis or frame is supported on a permanent masonry foundation (i.e. piers and/or a perimeter wall foundation).
- The mobile home must be taxed as real estate rather than as personal property.
- The applicant must own the lot on which the mobile home is located. However, when the Home Repair work addresses a condition that meets the definition of an emergency (see Section 1, A., 4. of the Housing Program Manual), assistance may be provided to owner/occupants who lease the land upon which their mobile home is located. **Please note that all other conditions described in this section, except the real estate taxation requirement, still apply.**
- The mobile home must be owner-occupied (as required to be eligible for CDBG Home Repair assistance).
- The total amount of assistance must be limited to no more than \$8,000 (as limited under the Home Repair activity limit of assistance).

Manufactured Homes

A home that was constructed on a chassis in a factory and transported to a site and certified to meet the HUD MHCS in effect at the time of manufacture is referred to as a “manufactured home,” rather than a “mobile home.” For current HUD MHCS, see 24 CFR Part 3280 (4/1/01). Because factory constructed homes that are certified to meet the HUD MHCS are considered to be more durable than mobile homes, these types of homes are not subject OCD’s policy restrictions regarding ineligibility for rehabilitation and down payment assistance. However, manufactured homes still must be permanently supported on the lot and be taxed as real estate, as described above. Also be aware that manufactured units provided as replacement housing on existing sites are subject to the same level of environmental review clearance as new construction.

Hazard Insurance

While hazard insurance is not required by the HUD regulations, OCD recommends that owners be required to have and maintain hazard insurance as a condition of assistance. The purpose of course is to protect the investment of public funds. Please note that HUD regulations, 24 CFR Part 570.202(b)7(ii), identifies hazard insurance premiums as an eligible rehabilitation cost. If a grantee requires homeowner hazard insurance, the grantee must ensure that the amount of the insurance adequately covers the public investment and that proof of insurance is maintained in the project case file. Also, OCD recommends that the grantee be listed with the insurance carrier as a mortgage/loss payee for the term of the loan. This listing helps to ensure that the grantee will be notified if the coverage is cancelled.

Land Contracts

Homes being purchased by an income-eligible household under a land contract should be eligible for rehabilitation assistance. If the local program provides a type of financial assistance that requires that a lien be placed on the property, grantees have a number of ways to secure the assistance:

- Convince the title-holder (seller) to convert the land contract into a first mortgage with the occupant (buyer).
- Have the seller sign the mortgage and promissory note and the buyer sign an agreement to assume the mortgage when the title is transferred.
- Have the buyer sign the mortgage and promissory note and the seller sign an agreement to assume the liability if the buyer defaults on the land contract.

Many LMI households purchase their homes using a land contract, and it is important to develop a mechanism that permits these families and structures to receive assistance. Because a land contract does not convey title until the end of the contract period, grantees must ensure that the following additional requirements are met prior to providing financial assistance:

- The land contract must be recorded in the County Recorder's Office.
- The land contract must not contain provisions under which the contract may be terminated by the seller other than default by the purchaser, and
- The purchaser must not be delinquent on the payment schedule without good reason.

Life Estates

Homes occupied by an income eligible household residing in the home under the terms of a life estate should be eligible for rehabilitation assistance. However, because a life estate tenant does not legally own the property, grantees must ensure that the following additional requirements are met prior to providing assistance:

- The document that establishes the life estate must be recorded in the County Recorder's Office.
- The owner(s) identified on the deed, as well as the life estate occupant, must also sign the appropriate documents. For example, the owner(s) must sign the various forms acknowledging the terms and conditions for participating in the program, the rehabilitation contract, the promissory note, the mortgage and the various inspection/payment request forms. Another option is to consider the property as rental

property and to address the unit deficiencies with the owner of record through the rental rehabilitation activity.

Property Eligibility Examples

Below are examples of property eligibility requirements for selected activities:

Home Repair Examples

- The property must be LMI owner occupied.
- Manufactured homes must be taxed as a housing unit, and located on land owned by the applicant.

Rental Rehabilitation Examples

- Property owner must be financially able to provide matching funds.
- Property owner must be willing to adhere to affordability/rent regulations.
- Property must be suitable for rehabilitation within program limits.

Down Payment Assistance/Rehabilitation Examples

- Upon verification of income eligibility, the prospective homebuyer must complete the homebuyer counseling training sessions, which will provide inspection guidelines for property selection as well as the types of units that are eligible.
- Although HUD permits buildings with up to four units to be purchased through the CHIP, our local community chooses to follow a more stringent policy and limit selection to single family dwellings, doubles, duplex and/or condominiums.
- Units must be vacant or owner occupied units for sale. This is to avoid displacement and possible relocation payments to renters.
- Property must be able to be purchased/rehabilitated within the program limit to the RRS, within six months of purchase.
- Property appraisal must be not less than the unsubsidized purchase price, and will not exceed the 203 (b) limits for the area.

C. Limits of Assistance

1. For each housing activity, describe the limits of financial assistance that will be applied to each project. This should include, as applicable, a maximum limit, a minimum limit, an average cost per unit, a walk away policy and any other specific limits that may apply. Also provide justification for the limits chosen.

2. Applicants that combine primary activities with supportive components, such as Down Payment Assistance/Rehabilitation combined with Homebuyer Education and or Private Owner Rehabilitation with Optional Relocation or Lead Risk Assessments must estimate the amount of funds per unit that may be allocated to the primary activity and to each supportive component. Applicants should understand that they must track the outcomes and expenditures for each supportive component and report that information to OCD on the final performance report at the end of the grant period.

3. Describe the procedures that will be followed in the implementation of the described policies.

OCD’s “Housing Handbook” has set maximum award limits as outlined in the chart below.

Activity Name	Limit without Lead	Limit with Lead	Handbook Citation	Comments
Home Repair	\$8,000	\$8,000		Combined assistance considerations
Private Rehabilitation	\$30,000	\$35,000		
Rental Rehabilitation	\$30,000	\$35,000		Match considerations
Down Payment Assistance	Reasonableness based on 5 percent of 203 (b) or 10 percent of purchase price	N/A		
Down Payment Assistance/Rehabilitation	\$30,000	\$35,000		
Acquisition/Rehab/Resale	\$55,000	\$55,000		
New Construction	\$55,000	N/A		

The community can set limits that are more stringent than OCD limits, and can also set limits for other activities not listed in the chart above such as relocation, homebuyer education, down payment assistance, rental rehabilitation, and rental assistance. Limits should also be provided on any possible units that may receive combined assistance. Combined assistance is defined as assistance provided to a single housing unit from more than one housing activity. An example would be the provision of both home repair and private rehabilitation to the same house.

Details of Elements Relevant to Selected Activities

Home Repair

- No requirements to have a minimum limit of assistance.
 - a) Any minimums must be clearly described and justified.
- Not an eligible HOME funded activity (CDBG funds only unless combined with rehabilitation).
- Describe the policies and procedures related to the combining of home repair assistance with private rehabilitation assistance: For example, Home Repair Funds may be used in conjunction with owner rehabilitation funds when the following occurs:
 - a) At the time of the housing inspection for rehabilitation, the inspector discovers a health and safety need.
 - b) An applicant for owner rehabilitation reports an emergency concern, which is verified by the inspector before the housing inspection has been conducted. In such a case, the repair shall be processed and corrected as per the guidelines governing the home repair activity and the remainder of the owner rehabilitation project may be bid at a later date following the inspection, write-up, specification and bidding process for rehabilitation.
 - c) During the process of addressing an emergency repair, the program staff notices that numerous other housing deficiencies need to be addressed, and refers the person for subsequent housing rehabilitation.
 - d) In no circumstances will the combined activity exceed the program limit (\$35,000 included LBP)

Rehabilitation Assistance (including Down Payment Assistance/Rehabilitation and Rental Rehabilitation)

- Minimum limit of assistance should be established.
 - a) HOME regulations require at least a minimum of \$1,000 per assisted unit.
 - b) There is no minimum limit of assistance required by the regulations for CDBG funds.
- Describe any other applicable limits of assistance related to lead-based paint, the combining of assistance, etc.
- Describe the walk-away policy.
 - a) The community must clearly state the procedure for units that cannot be addressed within the budget available. Units that cannot be addressed due to the cost or for other reasons are known as walk-away units. Generally this means that the unit cannot be repaired or rehabilitated, or in the case of down payment assistance/rehabilitation, the unit cannot be purchased.
 - b) Note that Home Repair assistance cannot be provided in lieu of a walk-away policy.
- In the instance of down payment assistance/rehabilitation, the policy should detail the procedure for searches for another unit.

New Construction

- Minimum limit of assistance should be established.
 - a) HOME regulations require at least a minimum of \$1,000 per assisted unit.
- Describe the maximum limit of assistance.
 - a) The maximum level of assistance allowed by OCD for new construction is \$55,000.
- Describe any other applicable limits of assistance such as limits on construction costs, site development costs, or land purchase costs.

Note: Grantees must institute the OCD walk-away policy in all cases when the amount of assistance would exceed the limits outlined in the chart above.

D. Finance Mechanisms

- 1. Describe the finance mechanisms to be applied to each client-based activity. Describe the rationale for the type of assistance to be provided. The terms and rate of interest should be described, including any forgiveness factors. The program must also set forth its requirements for securing loans, as well as any prohibitions on future sales of the assisted property. There are specific requirements related to the funding source that must be taken into consideration, as well as OCD program income recapture requirements.**

This description must also include any conditions attached to the assistance such as deferred loan due-on-sale provisions, rent limitations on investor-owned property, requirement for match funds, etc. Balloon payments are discouraged as a finance mechanism.

Grantees proposing Private Owner Rehabilitation or Down Payment Assistance/Private Owner Rehabilitation as a CHIP activity are reminded that the finance mechanism for these activities must be designed to eventually generate guaranteed program income in an amount equal to at least 15 percent of all funds requested.

All properties (other than grant assistance) must be secured with a recorded mortgage lien for a minimum of five years or the term of the loan.

The community also must include a written policy regarding the subordination of mortgages. The policy should address the conditions under which the grantee will (will not) subordinate its loan, how the decision is made and by whom.

Also describe the procedures to be followed in the implementation of the described policies.

Types of Finance Mechanisms

Grants

This type of assistance is basically a gift. All assistance is immediately forgiven. No mortgage or promissory note are executed, nor is a lien recorded on the property. This type of assistance is generally used for rental subsidy and home repair programs. Grants may be appropriate for activities such as Home Repair or TBRA, which offer relatively low amounts of financial assistance to very low-income clients. Grants, however, are inappropriate for rehabilitation programs targeted to the moderate-income clientele, and may not adhere to HOME affordability regulations.

Forgivable Loans

A forgivable loan resembles a grant in that if the present owner retains the property for a specified period of years, no repayment is required. The forgivable loan is instituted through the use of a mortgage and promissory note. The program files a mortgage lien against the property in the amount stipulated on a related promissory note. The note is initially valued at the amount of the rehabilitation cost. Each year that the owner retains ownership and resides in the home a certain percentage of the amount is forgiven as if it were a grant. Should the owner continue as owner-occupant of the home until the term of the note expires, the owner pays nothing and has no conditions on the disposition of the property. Should the property be sold or vacated prior to the expiration of the note, the owner owes the program whatever balance remains on the note.

Deferred Loans

Under this type of finance mechanism, a loan is made to an eligible recipient. Repayment is deferred for a certain number of years or until the property is sold, or is no longer used as the primary residence, at which time the loan would be due in full. This technique is often used in order to provide assistance to households that may currently be unable to afford loan repayments. Repayment is collected sometime in the future, generally when transfer of ownership takes place. This method is used to generate housing program income so that the funds can be recycled for additional housing activities.

Amortizing Loans

These loans may be based on the borrowers' ability to repay and are often based on a sliding scale. The program must describe the interest rate that will be charged on the loan and what the term of the loan will be. In general rehabilitation loans do not have terms longer than 15 years. In the case of new construction loans, they may require a longer term.

Principal Subsidy

A write down, known as principal or interest subsidy, is a mechanism in which the project is financed by a loan, but the amount repaid by the property owner is partially subsidized or offset by the inclusion of grant funds. These are based on the owner's ability to pay.

Loan Leveraging

This type of loan requires coordination with a private lending institution. Often this means dealing with the underwriting and credit requirements of that entity. Certain persons may not qualify for loans, thereby, defeating the purpose of the program — to rehabilitate housing for low- and moderate-income families. Loan leveraging is a very complicated approach and should be undertaken only when the locality has experienced staff to calculate and administer the projects. Loan leveraging has been successful in many localities when working with Rural Development programs (formerly known as Farmers Home Administration).

It may be that the best approach will include a combination of two or more types of assistance. In deciding how to structure the program, it is important to clearly define the local objectives. Objectives should be based upon the characteristics of both the population and the housing stock in the community. A high number of very low-income and/or elderly households would probably dictate the use of more forgivable loans. Loan leveraging works best with moderate income and down payment assistance programs.

The blend of assistance is the locality's decision within the constraints of HOME regulations and the OCD 15 percent rehabilitation recapture for program income requirement. Also to be considered is the ability of potential program participants to repay a loan.

Housing Cost Burden

Housing cost burden is based on the rent or mortgage payment and includes property taxes and insurance as well as utility (excluding cable and telephone) costs, should not exceed 35 percent of a family's gross monthly income when requiring loan repayments to begin immediately. Any finance mechanisms that include balloon payment loans must detail how the collection of a balloon payment meets the housing cost burden requirements, and does not create potential affordability issues or homelessness for the assisted client.

Note: Finance mechanisms should be appropriate to the income level of the clientele group, the level of available assistance, and future community needs. This will help promote the success of the program.

E. Affordability/Housing Cost Burden

1. Describe the community's policies for assuring that all affordability requirements will be met, and all of the necessary procedures associated with implementing these policies.

Required Policies

- Housing Cost Burden/Long-Term Affordability
- Development of Program Income
- HOME Affordability Requirements (Recapture or Resale).

Affordability requirements vary between CDBG and HOME. A grantee must adopt and make public its criteria for determining what constitutes affordable housing costs.

Housing Cost Burden

Rental Units: Generally, gross rents (and utilities) that do not exceed 30 percent of a tenant's income are assumed to meet the criteria for ensuring that the family is not housing cost burdened. Under no circumstances may rents for assisted units be in excess of area Section 8 Fair Market Rents.

Ownership Units: The monthly housing costs known as PITI (principal, interest, property taxes and insurance) are not to exceed 30 percent of gross monthly income (or 35 percent if utilities are included in the affordability calculation).

Generally, housing cost burden applies if a person pays more than 30 percent of their gross monthly income on rent or PITI. Paying more than these percentages is deemed as housing that is not affordable to LMI families.

Long-Term Affordability

Affordability is also a term used in the HOME regulations. Generally known as long-term affordability, this regulation requires that specific criteria be followed when HOME funds are provided toward the purchase of a unit or purchase combined with rehabilitation funds. If a community uses HOME funds for down payment assistance or down payment assistance combined with rehabilitation assistance, the long-term affordability period must reflect the entire amount of HOME assistance in the project. The long-term affordability period for the HOME subsidy in a project is as follows:

<u>HOME Funds Provided</u>	<u>Affordability Period</u>
Less than \$15,000	5 years
\$15,000 to \$40,000	10 years
More than \$40,000	15 years
New construction (rental)	20 years

The long-term affordability regulation is enforced through the use of a mortgage lien recorded on the property for the length of the long-term affordability period.

Program Income

Be advised the estimated Program Income (PI) amount must correlate with the number of outcomes and the Finance Mechanism described in the application. Applicants are also to furnish information to justify the Finance Mechanism proposed. If program income is earned via direct repayment or re-capture, the application must clearly describe the mechanism, which guarantees it and justifies the estimated amount to be earned. Balloon payments must justify how collection will be done in a manner not to create a financial hardship and/or exceed affordability requirements.

Recapture or Resale (HOME Funds)

As part of the long-term affordability requirements, HOME also has specific regulations for addressing the issues of sale of the home prior to the end of the long-term affordability period.

Communities have two options for controlling the resale of the homebuyer property during the affordability period, recapture or resale. Recapture involves the repayment of a portion of the assistance provided. Resale requires a deed restriction, requiring the seller to find a low-income purchaser. Recapture of funds is generally the method selected, because the enforcement of deed restrictions under the resale method is more difficult. And the recapture method often generates additional housing program income. If a property is sold within the Affordability Period the community must follow the option selected, either recapturing the subsidy or by resale to another eligible LMI family.

The program design must state which option will be used before assistance is provided to the homebuyer.

Recapture

The following options for recapture requirements are acceptable to HUD and OCD:

- Recapture the entire amount of the HOME investment
- Reduction of the amount of the HOME investment during the affordability period on a pro-rata basis (not to exceed an amount based on an equal percentage reduction for each year of the affordability period) for the time the homeowner has owned and occupied the housing measured against the required affordability period.
- Shared net proceeds. If the net proceeds are not sufficient to recapture the full HOME investment plus enable the homeowner to recover the amount of the homeowner's down payment/rehabilitation and any capital improvement investment made by the owner since purchase, the community may share the net proceeds. The net proceeds are the sales price minus loan repayment (other than HOME funds) and closing cost. The net proceeds may be divided proportionally as set forth in the following equations:

$$\frac{\text{HOME investment} \times \text{net proceeds}}{\text{HOME investment} + \text{homeowner investment}} = \text{HOME amount to be recaptured}$$

$$\frac{\text{Homeowner investment} \times \text{net proceeds}}{\text{HOME investment} + \text{homeowner investment}} = \text{amount to homeowner}$$

Resale

Resale requirements must ensure that if the housing does not continue to be the principal residence of the family for the duration of the period of affordability that the housing is made available for subsequent purchase only to a buyer whose family qualifies as a low income family and will use the property as its principal residence. The resale requirement must also ensure that the price at resale provides the original HOME assisted owner a fair return of investment (homeowner's investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of low-income homebuyers. The period of affordability is based on the total amount of HOME funds invested in the housing.

The affordability restrictions may terminate upon occurrence for any of the following termination events: foreclosure, transfer in lieu of foreclosure, or assignment of an FHA insured mortgage to HUD.