MEMO TO COUNCIL

DATE: **December 4, 2014**

TO: **Mayor and Council**

FROM: **Doni Wilbanks**
Planning Specialist/ Housing Program Coordinator

SUBJECT: **Housing Rehabilitation and Emergency Repair Guidelines update/revisions**

PURPOSE:

Revisions/updates to the Housing Rehabilitation and Emergency Repair Program Guidelines.

BACKGROUND:

The Town's Owner Occupied Housing Rehabilitation and Emergency Repair Program is a federally-funded program provided by Community Development Block Grants. The Town receives its CDBG money through the Arizona Department of Housing (ADOH). ADOH, as well as Mayor and Council, is required to approve our Housing Rehab Guidelines each time we apply for CDBG funding. This gives the Town the opportunity to implement mandatory updates required by the Arizona Department of Housing and also allows us to make any other desired revisions.

SUMMARY:

In an attempt to be timely in our application process, staff brought to Council a few minor changes to the Housing Rehab Guidelines for approval October 2, 2014. They were approved as Resolution 2800. Later that month, the Department of Housing made mandatory changes for all communities to include in their programs, which affected our previously approved guidelines. These changes are as follows:

- Clarification on consideration for properties in a floodplain.
- A requirement that contractors must register through a new source (SAM.gov) for verification by staff and ADOH.
- The determination of maximum property value.
- The determination of maximum investment for a property/project.
- Changes to the weatherization standards/requirements and procedures on a project.
- Clarification of how returned funds shall be used.

These changes to the guidelines align the Town's Housing Rehab Guidelines with state requirements and help give more realistic property determinations based on value and max investments. They do not limit our assistance to the community, and they have no effect on the application and qualifying process for the Town of Payson's residents. The revised Guidelines have been approved by ADOH at this time and only await Council approval. The revised guidelines are attached as Exhibit A. Changes/inserts are highlighted and italicized. Items with a strike-thru have been removed.

DEC 18 2014 D. 6*

Exhibit A

Town of Payson

Housing Rehabilitation and Emergency Repair Program Guidelines

2014

The Town of Payson's Housing Program is designed to improve the availability of safe, clean and decent affordable housing for income-qualified individuals and families. It also strives to improve the Town's overall supply of affordable housing. This program, while beneficial to many, is not able to assist all applicants. The attached guidelines provide an overview of the program's structure, including the associated funding constraints, federal guidelines and technical requirements.

Housing Rehabilitation Program

Section I: Program Design

A. Purpose:

1. To provide safe, clean and decent affordable housing for income-qualified families within the Town of Payson.
2. To upgrade living conditions through the rehabilitation of single-family, owner-occupied dwelling units for very low to moderate-income households within the corporate boundary of the Town of Payson.
3. To improve the overall housing stock and the appearance of the Town of Payson.
4. To support neighborhood revitalization efforts.

B. Objectives:

1. To secure a variety of funding sources for implementation of a comprehensive rehabilitation program for the purpose of bringing eligible properties into compliance with adopted Town codes.
2. To provide technical assistance and counseling services to income eligible households for, and not limited to:
   a. Ownership Responsibilities
   b. Budgeting for property taxes, insurance and credit counseling
   c. Property maintenance *(servicing AC units, care for swamp coolers, changing filters, warranty review for new items, etc.)*
   d. Energy Conservation
3. To coordinate code enforcement activities and rehabilitation services as an educational process in the Town of Payson to remove health and environmental hazards and promote cleanliness and pride of ownership.
4. To provide additional referral services to various agencies offering assistance in the areas of housing, medical, financial hardship, legal aid etc.

C. Target Area:

1. All income-qualified households within the corporate boundaries of the Town of Payson are eligible to apply for funding.

D. Eligibility Guidelines:

1. The property to be rehabilitated must be located within the Town of Payson's corporate limits.
2. Income guidelines established by HUD will be used to determine income eligibility. The applicant's maximum income level shall not exceed 80% of the Gila County median household income.
3. The property must be owner occupied for at least 12 months prior to application and must be the primary residence of the applicant.
4. The home must be suitable for rehabilitation under the time and monetary constraints of the program.
5. The program will provide assistance to low- and moderate-income households regardless of race, religion, *color, sex,* age, national origin, ~~marital~~ *familial* status, or disabilities.
6. Properties, located in the floodplain may be considered as eligible if approved by the

Town of Payson Floodplain Engineer *and no structures are located in the floodplain.* Proof of flood insurance is required.

7. Maximum Property Value: After completion of a housing rehab project the property value of assisted units may not exceed *ninety five percent (95%) of the area median purchase price for single family housing, as determined and published by HUD.* ~~the FHA 203(b) insuring limits for single family properties.~~ The post-rehabilitation value will be estimated by ~~adding the total rehabilitation investment to the full cash value of the property, as determined by the Gila County Assessor's Office.~~ *one (1) or more of the following methods:*
    a. *Estimates of value: Estimates of value by the subrecipient may be used. Project files must contain the estimate of value and document the basis by which the value estimates were derived. (For example: a real estate broker's price opinion with supporting comparable sales or real estate estimate websites.)*
    b. *Appraisals: Appraisals, whether prepared by a licensed fee appraiser or by a staff appraiser of the participating jurisdiction, may be used. Project files must document the appraised value and the appraisal approach used.*
    c. *Tax assessments: Tax assessments for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation.*
8. Properties rehabilitated through this program must be free of any encumbrance such as liens or judgments. Properties may be encumbered by a mortgage in first position as long as a financial institution or other such mortgage company holds that mortgage. However, there must be sufficient equity remaining to justify placing a lien for the rehabilitation deferred payment loan in second position. Properties encumbered by mortgages held by individuals or partnerships are not eligible for this program. Mortgage payments, utility payments and insurance premiums must all be current.
9. Based on policies established by the HOME Program and in compliance with such policies, the Town of Payson will not subordinate the lien placed against the property unless the homeowner is securing new financing for the property that will result in the reduction of the homeowner's monthly mortgage payment, such as a refinance to reduce the interest rate or to incorporate a first and second mortgage. New mortgage financing to consolidate debt or provide cash back to the homeowner will not warrant subordination of the Town of Payson's lien position.

E. Preferences:

1. After considering factors such as funding availability and the home's suitability for rehabilitation within the program's purpose and constraints, preferences for housing rehab services will be provided to disabled households, single parent households, elderly couples and individuals, except in cases of emergencies, *and placed on a waiting list until funding is available.* The order of priority for preferential treatment shall be as follows:

    Priority #1: Disabled households

Priority #2: Single parent households
Priority #3: Elderly couples and individuals

F. Funding Sources:

1. Funds from variety of sources, mainly Housing & Urban Development (HUD), Community Development Block Grant (CDBG), HOME grants, Housing Trust Funds, USDA 504 grants and loans, Emergency Repair funds, USDA Housing Preservation Grants (HPG) and local housing trust funds make the Housing Rehabilitation Program objectives possible. Any eligibility-based rehabilitation project may have one or any combination of funds and/or components to accomplish the goal of providing decent, affordable housing to income qualified applicants.
2. Funds will be provided in one of or a combination of the following loans based upon the requirements of the funding source:
   a. Direct Loans (DL) – Based on eligibility (usually moderate income) and repayment ability. No loan can exceed the maximum amount as set by HUD. A Deed of Trust with flexible underwriting criteria will secure all loans. The Town of Payson does not currently have a revolving loan fund. If such a fund is established in the future, the Town will establish policies and procedures for loan servicing and program income, and will revise the Housing Rehab guidelines accordingly before submitting the revision to the Arizona Department of Housing for approval.
   b. Deferred Payment Loans (DPL): A forgivable, non-interest bearing loan secured by a Deed of Trust and Promissory Note that will be forgiven annually if the property is occupied by the assisted household AND the property is maintained free of code violations based upon the following investment amounts:

Less than $15,000	5 years	20% per year
$15,000 to $40,000	10 years	10% per year
Greater than $40,000	15 years	6.66% per year

   In the event of the death of the sole owner, the loan may be transferred to an income eligible family member. Otherwise, the unforgiven balance of the loan shall become due and payable upon the sale, exchange, or transfer of the property.
   c. *Up to $35,000 (cumulative per fiscal year) of CDBG funds paid back to the Town can be kept and spent by the Town on other housing rehab projects; anything beyond the $35K would have to be returned. Any HOME funds must be returned to Arizona Department of Housing.*
   d. All loans are secured with a Promissory Note, a Deed of Trust and a Deferred Loan Payment Agreement. When a deferred loan is either paid off or forgiven, the Housing Coordinator will prepare a Deed of Release and Reconveyance for the Deed of Trust and Deferred Loan Payment Agreement. The documents will be signed by the Town Manager and recorded with the Gila County Recorder. Copies of the releases are kept by the Town Clerks Office and in the individual project files.

3. The minimum housing rehab investment will be $10,000 or as otherwise mandated by a specific funding source. The maximum amount that may be provided for an individual housing rehab or manufactured home replacement project shall not exceed the maximum per unit state investment limits for Gila County as published by the

Arizona Department of Housing. At no time will the investment of rehab program funds exceed *ninety five percent (95%) of the area median purchase price for single family housing, as determined and published by HUD* ~~the FHA 203(b) insuring limits for Gila County.~~ This maximum shall include all project expenses, including title insurance, title report, inspections, and any emergency repair grant.

4. The Housing Rehab Program will not provide funds to repair or rehab a multi-family property or detached units of 8 or more units owned by the same entity, therefore the Davis Bacon wages are not be applicable.

G. Requirements:

1. Deferred Loan recipients shall maintain the property in compliance with the Unified Development Code, including keeping the property free of any inoperable vehicles, junk, trash and debris, *and shall occupy the real property as his/her principal residence for the term of the loan.* ~~This requirement~~ *These requirements* shall be made part of the Promissory Note. Any violation not abated within standard time frames of the Unified Development Code shall be grounds for the unforgiven balance of the loan to become due and payable.
2. Homeowners' insurance is required at all times. A lapse in coverage is grounds for the unforgiven balance of the loan to become due and payable. The Community Development Director or his/her designee may allow short time extensions for insurance payment.

H. Rehab Standards:

1. The current building codes adopted by the Town of Payson shall be applicable for the Rehabilitation Program. The zoning provisions of the Unified Development Code are also adopted for this program.
2. *Work must be done in accordance with the ADOH Owner Occupied Housing Rehabilitation Weatherization Standards.* Energy and water conservation measures shall be included in the scope of work and will include green technologies and increased energy efficiencies where ever possible. ~~by incorporating Energy Star requirements i.e. use of CFL light bulbs, solar water heaters, additional insulation, dual-pane E-glass windows, low flow water saving devices, Energy Star HVAC systems rated at 13 seer or higher, mitigation of leaks in air delivery system, etc.~~
3. *A (BPI Certified Professional) Weatherization Professional will conduct both a pre-construction energy audit and a post construction compliance inspection on those weatherization standards items included in the rehabilitation scope of work.*
4. Abatement of lead-based paint and asbestos shall be included dependent upon the cost of such measures.
5. General property improvements and exterior aesthetic work are also included if they will upgrade the physical appearance of the home and the neighborhood as a whole, provide curb appeal and increase the value of the property and surrounding properties.
6. When the Town agrees to replace a manufactured home, the replacement unit must meet Town of Payson requirements to be HUD-certified.
7. The Building Official will be required to provide justification that the cost of rehabilitating the existing manufactured home would exceed replacement cost of the

unit.

Section II: Marketing

A. Marketing to Potential Applicants:

1. The Housing Rehab Program was initially developed to assist very low to moderate-income households to secure safe, decent and affordable housing within the Town of Payson. The participants in this program are entirely voluntary. Efforts are made to inform and promote program awareness to every segment of the community.
2. Awareness of this program will be promoted through local media to include the local radio stations and newspapers, as well as the Town's quarterly newsletter and website. The program will also be promoted on the town-sponsored television show on TV4.
3. Fliers and/or brochures to encourage applications for rehabilitation services will be available at the Town Hall, the Payson Library, the Dept. of Economic Security and the Community Development Department.
4. Staff of the Community Development Department will utilize the brochures and provide information to potential applicants about the program. The Code Enforcement Officer and Building Official will be the primary staff available to assist the Housing Program Coordinator with the marketing of this program.
5. Staff will work with the area CAP agency and other social service organizations to identify other preferred applicants.
6. Accommodations will be made for applicants who cannot physically travel to the office. In such cases, they may request that the Housing Program Coordinator visit their home to complete the application and obtain further assistance.
7. All marketing costs and materials shall be produced within the approved funding source guidelines, including Fair Housing and non-discrimination language. Upon request, marketing materials will be provided in alternative formats for the disabled or translated into other languages or information will be provided directly by a translator.

B. Marketing to Contractors:

1. The Building Official will ensure compliance with the procurement and contracting procedures outlined in the CDBG handbook.
2. The Housing Program Coordinator will use the mailing list of qualified contractors maintained by the Community Development Department to send out bid notices. This mailing list consists of contractors who respond to legal notices as printed in the local newspaper a minimum of one time per year.
3. For a contractor to request to be on the mailing list he/she must have a current Town of Payson Business License, be licensed, bonded and insured, ~~and~~ valid ROC standing, *and registered with www.SAM.gov.*
4. *The Housing Program coordinator may also send invitations to bid to all contractors with a Town of Payson business license. All requirements for contractors on the mailing list shall also apply prior to a bid submittal.*
5. Every effort will be made to obtain a minimum of three bids for each rehabilitation project. If this is not possible, staff will request written permission from ADOH to use non-competitive negotiations to secure a contractor.

Section III: Staff Structure/Responsibilities

The Housing Rehabilitation Program will be implemented by Town of Payson employees and/or professional service providers (i.e. CAAG). The Town of Payson Housing Rehabilitation Team is composed of the following:

A. The Community Development Director or his/her designee is responsible for:
- oversight and implementation of the program;
- ensures that funds are properly allocated or spent.

B. The Housing Program Coordinator is responsible for the following:
- intake and processing of all applications, to include income verification;
- verifies ownership of property and orders title reports and all related documents. If property is in a trust and the occupant is the main beneficiary, he/she may choose to leave the trust in place; however, they must establish fee simple ownership prior to the Work Write-up (Scope of Work) is completed. A fee simple title must be in place prior to any contact negotiation or any performance of work;
- records promissory notes and deed of trusts with Gila County Recorder when applicable;
- develops and distributes marketing material for applicants and the general public;
- maintains individual client files in accordance with format requirements required by the Arizona Department of Housing;
- works with CAAG and the Grants Coordinator to prepare applications for grant funding to carry out rehabilitation programs;
- works with CAAG and Grants Coordinator to prepare Environmental Review forms;
- provides notice to the SHPO Office for homes that are 50+ years old and works with CAAG and Grants Coordinator to prepare and file all required E-HR forms;
- Supports Building Official in the preparation of the Scope of Work and all change orders;
- provides program participants with counseling and education on homeownership maintenance, the importance of timely payment, the importance of homeowner's insurance and budgeting.
- maintains a contractor list for distribution of bid materials.
- Works with Building Official on advertisement and distribution of bid packets to contractors when applicable
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C. The Building Official is responsible for the following:
- conducts initial inspection to determine the feasibility of including the home in the Rehab Program in accordance with Section IV, Paragraph #4 of the Town of Payson Housing Rehabilitation Guidelines;
- ensures that inspections are carried out in a timely and proficient manner and that all repairs are completed within code parameters;
- prepares bid documents and advertisement and distribution of bid packets;
- conducts a pre-bid meeting at the rehab site to go over potential repairs with contractors and homeowner;
- creates change orders and completed work approvals;

- reviews and approves contactor payment requests and processes invoices for payment;
- ensures that the Town of Payson's Housing Rehabilitation program complies with the OHD Housing Bulleting #1, December 2001, regarding the Implementation of the HUD-Lead-Based Paint Regulations @24 CFR Part 35 for CDBG and HOME Grantees/Recipients.
- Counsels the homeowner about product warranties for newly installed appliances, the importance of changing furnace filters and other routine maintenance issues.

D. The Grants Coordinator is responsible for the following:
   - works with CAAG to prepare and submit funding applications;
   - works with CAAG to prepare Requests for Payment;
   - collaborates with the Town's Finance Department to process program-related invoices and track reimbursements from RFPs;
   - Works with CAAG to maintain a ledger of expenses independent of the Town's accounting system and will periodically reconcile these sub-ledgers to Town ledgers;
   - is responsible for overall grant file documentation and fiscal record-keeping compliance;

Section IV: Application

A. The Housing Program Coordinator shall be responsible for the application process for income-qualified participants. The Community Development building is designed for handicapped accessibility. If needed, the Housing Program Coordinator shall visit the applicant's home to obtain all necessary information for the application.

1. Prescreening
   During the initial interview from a potential applicant the following information shall be obtained:
   a. Documentation of the yearly income of the household
   b. Documentation of the ownership status of the applicant
   c. Inquire about the types of problems that the potential applicant is having with his/her home, to be followed up by the Building Official during his/her initial inspection.

2. Application Process
   The Housing Coordinator will assist with the preparation of the application and review the contents for accuracy. The applicant will sign a Privacy Act Statement, which gives Housing Coordinator permission to verify all information provided in the application. Decisions regarding approval of an application for assistance will be completed and rendered within 15 working days of submittal of all required information.

   The Housing Coordinator will verify ownership by ordering a limited title report and checking with the Gila County Assessor's records.

   The Housing Coordinator will ensure confidentiality by keeping all information in

locked files. Income verification is valid for six months.

3. Definitions
   Income: All wages, financial assistance from SS, VA, DES, alimony, child support, unemployment and any other income from any other source shall be considered in household income. Maximum allowable household income shall be in accordance with current HUD Section 8 requirements.

   Household: All persons occupying the home, including permanent extended family, i.e. elderly parents, single children with children. In the case of more than one family per dwelling unit, every effort will be made to provide the non-owner with homeownership opportunity through another program to decrease over-crowding.

4. Eligibility Determination
   The Housing Program Coordinator shall determine that the household income meets the applicable Section 8 income criteria and shall coordinate with the Building Official to determine that it is feasible to rehabilitate the home. A property is eligible for one rehab and one emergency repair project. Once completed, no additional rehab funds may be spent on the property.

5. Priority of Projects
   With the exception of emergency repairs, applications will be assessed for suitability based on the program's purpose as outlined in I.A on page 2 and preferences listed in I.E.1 on page 3.

6. Lead-Based Paint Abatement
   Prior to the initial site inspection a lead-based paint (LBP) evaluation will be completed. If LBP issues are found, the Building Official will estimate the cost of abatement to determine whether the project is suitable for rehab within the constraints of the program.

7. Initial home Inspection and Work Write-up
   The Building Official or his designee will conduct a thorough inspection of the property to determine the scope of work and approximate cost.

   The initial home inspection will document through a priority listing the improvements, which are needed. This priority ranking of improvements will utilize the following format:

   The following must be taken into consideration when determining the priority of items for inclusion in the work-write up (Scope of Work):
   a. Fulfillment of the program's objectives
   b. The age and the physical condition of the building and its suitability for rehabilitation
   c. Funds available for rehabilitation of each unit
   d. Value of unit after rehabilitation

Note: The following section is based on the requirements found in *Rehabilitation Standards for Owner Occupied Housing Rehabilitation Programs* published May 1998 by the State of Arizona Governors Office of Housing Development.

Level 1-Items that must be included in Initial Inspection Report and **must** be repaired or replaced.

- ❑ Hazardous Materials
- ❑ Health and Safety Hazards
- ❑ Stable and weather-tight roof
- ❑ Electrical System-Minimum 100 Amp Service with no unsafe conditions
- ❑ Plumbing (including hot water). Must be in good working order and be safe and sanitary
- ❑ Heating and Cooling System. Must be adequate and safe with reasonable (3 year) useful life
- ❑ Egress in accordance with local health and safety codes

Level 2-Items must be included in Initial Inspection Report and **should** be repaired or replaced.

- ❑ Structural soundness and integrity (including rotted or deteriorating materials and those impacted by termites and/or other wood-boring insects)
- ❑ Siting of the structure and its relationship to water penetration that may impact structural integrity
- ❑ Appropriate kitchen facilities including a sink and means of cooling and heating food to healthful standards
- ❑ If the structure has an attached garage, appropriately-rated fire wall between garage and living areas

Level 3-Items that must be included in initial inspection report and **may** be repaired or replaced.

- ❑ Debris that may be a fire hazard
- ❑ All existing exposed surfaces painted or sealed and not presenting a health or safety hazard
- ❑ Cabinetry
- ❑ Trip hazards
- ❑ Finished flooring

8. Case Management
   The Housing Program Coordinator will work closely with CAAG staff, which is responsible for reporting procedures and for the maintenance of all case files. The Housing Program Coordinator will also work with the Grants Coordinator and CAAG to fulfill the reporting requirements of the Department of Housing and any other funding source used for housing rehabilitation.

9. Project Specifications (Work Write-up or Scope of Work)
   The project specifications are prepared by the Building Official and are compliant

with the latest code requirements, construction methods and materials and preservation.

If a home is 50 years or older, the Housing Program Coordinator will provide notice to the State Historic Preservation Office (SHPO) with a narrative outlining the proposed project specs along with a current picture of the home. If the site is of historical significance, SHPO will either approve the project specs or make recommendations to modify the project specifications.

Section V: Forms

A. Construction Contracts shall be between the homeowner and the contractor. Contracts will include work write-ups, warranties, provisions, conditions and restrictions for both parties.

B. Other forms (to be used when applicable):

- ❑ Application Form
- ❑ Work Write-up Form
- ❑ Bid Proposal
- ❑ Bid Notice
- ❑ Bid Opening Form
- ❑ Pre-bid Conference
- ❑ Building Inspection Form
- ❑ Certification of Completion
- ❑ Building Permit
- ❑ Contract (Contractor and Homeowner)
- ❑ Agreement (Homeowner and Town of Payson)
- ❑ Promissory Note
- ❑ Deed of Trust
- ❑ Notice to Proceed
- ❑ Lead Base Paint Evaluation Report Form
- ❑ HUD Lead-Based Paint Regulation Forms @24 CFR Part 35
- ❑ Environmental Review Record
- ❑ Declaration of Citizenship
- ❑ Notice of Opportunity to Rescind Transaction
- ❑ Public Body Certification as to Compliance with Truth in Lending Act
- ❑ Authorization to Obtain Information
- ❑ Income Verification
- ❑ Certificate of Owners Acceptance
- ❑ Change Orders
- ❑ Lead Based Paint Report
- ❑ Grievance Procedures
- ❑ Privacy Act Notification
- ❑ Warranty Documentation

A checklist is contained in each file noting all these documents and additional documentation such as income verification, property tax statement, title report, etc.

Section VI: Bid Process & Contractor Selection

A. Bid Document and Procedures:
The Town of Payson has adopted a formal bid process for the Rehabilitation Program. During the initial interview, the homeowner(s) is made aware of each step of the process, the details for each step and the time frame between each step includes the following:

1. The Building Official will work with the owner/applicant to schedule an appointment for detailed inspection.
2. After the detailed inspection with the homeowner the Building Official will meet with the homeowner again to review and approve specifications and plans and to discuss allowable and non-allowable items.
3. Upon approval of Work Write-up and plans from the homeowner the Building Official will prepare and advertise the bid package to all contractors who are on the Town of Payson's qualified bidders' list.
6. The Building Official will schedule a pre-bid walk- through with all qualified bidders to review the project site prior to deadline for bid submittal.
7. Two weeks after pre-bid walk-through, the sealed bid opening will occur with homeowner, Housing Program Coordinator and Building Official present.
8. The homeowner will be responsible for selecting the contractor. The Building Official will recommend the low bid if the price is within 10% of the Building Official's cost estimate. The homeowner can elect to select a higher bid if the dollar amount between the low bid and the selected contractor bid is paid for by the homeowner, and deposited in the program account at the signing of the contract. All contractors will be verified by the Building Official and the Housing Program Coordinator via ~~the Excluded Parties Listing System (EPLS)~~ *SAM.gov* and the State Registrar of Contractors to ensure appropriate licenses and insurance.
9. Within two weeks of the award of bid, the Building Official and successful contractor shall complete a pre-construction conference to review the rehab project.
10. All warranties will be provided to the homeowner.

B. Inspections:
The Building Official will perform inspections during the time of construction or his designee to ensure that all work complies with the applicable building codes. Anyone performing the inspection will be a qualified building inspector with the required certifications.

The Building Official will conduct routine inspections to ensure and monitor progress, identify any problems that may need to be addressed through a change order, insure compliance with HUD requirements and non-code items.

An inspection and disbursement order is completed by the Building Official, signed by the contractor and approved by the Community Development Director. This order reflects percentages of work completed to date, amount of draw and contract balance.

C. Payments and Change Orders:
The Inspection and Disbursement Order, when signed by the contractor, constitutes a request

for payment. The Building Official will inspect the job to determine percentage of work completed and certify the same by signing the inspection and disbursement order, and forward to the administrative secretary with a copy to the Housing Program Coordinator for processing.

A typical progress payment schedule is as follows:

- 20% upon completion of at least 30% of the contracted work
- 40% upon completion of at least 50% of the contracted work
- Up to 90% upon completion of 100% of the contracted work
- There will be a 10% retainage until the Building Official and Housing Program Coordinator have received all lien releases, change orders and the Certificate of Owner's Acceptance.

The Housing Program Coordinator will verify that the homeowner has received all warranties and then process the payment request to the Building Official for signature approval. The Building Official will then forward the payment request to the Grants Coordinator, who will make a copy for CAAG before passing it on to the Finance Department.

The Finance Department will issue a check for the requested amount and give it to the Building Official or the Housing Program Coordinator. The Building Official or the Housing Program Coordinator will release it to the contractor upon receipt of required lien waivers.

The Building Official may request a change order for circumstances that were not included in the original work write-up, due to unforeseen safety or code violations. The contractor must have written confirmation from the Building Official prior to undertaking any change order work. The homeowner must be informed of any change orders to the contract or other problems encountered during the rehabilitation work and sign the change order form.

D. Manufactured Home Replacement:
The Building Official will be responsible for certifying that the proposed unit meets all Town of Payson requirements for a manufactured home, and the Zoning Administrator will be responsible to ensure that all zoning regulations are complied with. Additional funding, beyond the rehab funds provided by the Town will be coordinated with the Town of Payson to determine that the monthly payments are reasonable within the constraints of the applicant's income. The Housing Program Coordinator will approve the use of additional funding from the lending institution or other source. If the proposed mortgage is greater than the portion of funds from the Town of Payson, the Town may be listed in second position on the deed of trust. In all other cases, the Town reserves the right to be listed in first position on the deed of trust.

Section VII: Temporary Relocation

The Town Council of the Town of Payson, by resolution, adopted a residential anti-displacement and relocation assistance plan. The Town has committed that permanent relocation and

residential displacement will not be allowed in conjunction with the Housing Rehabilitation Program.

A. The Town recognizes that at times during housing rehabilitation temporary relocation may be required. Additionally, the Town acknowledges budgetary restraints and the lack of available temporary housing within the Town, which may limit their ability to provide such temporary location. The town is committed to utilization of community resources to make temporary relocation resources available to homeowners and occupants participating in the Housing Rehabilitation Program.

   If possible, the Town shall design the rehabilitation of housing to allow for occupancy during rehabilitation in order to prevent temporary relocation. The contractor shall minimize disruption if possible. The Town will consider temporary relocation and/or financial assistance for the following reasons:
   1. Health and/or safety of the occupants
   2. Water closet and hand washing facilities are not available for one full day or more
   3. Kitchen facilities are not available for more than three days

B. The Town will encourage the homeowner to seek community resources available for assistance such as:
   1. Friends and family
   2. Local churches
   3. Salvation Army
   4. Other

C. Should other resources not be found to assist the homeowner and occupants, the homeowner may request that the Town provide temporary relocation or financial assistance. The homeowner shall make the request in writing, preferably prior to the construction bid or immediately upon the determination that such assistance may be deemed necessary. The Town will consider each request on a case-by-case basis. Each request shall be specific to the needs of the family and shall include an estimated budget for such assistance. The homeowner must receive a written approval from the Town for relocation assistance prior to incurring any costs. Costs incurred prior to written approval will not be considered allowable for reimbursement.

   The Town allowing for sufficient budget and availability of the services (reviewed on a case by case basis) may utilize CDBG funds to provide the following types of assistance:

   1. Temporary rental housing
   2. Storage locker for storage of personal belongings
   3. Temporary housing in a motel
   4. If the temporary housing does not have kitchen facilities, food allowances will be allowed on a per diem basis, not to exceed the state per diem rate per person per day. The per diem shall be adjusted based on the number of individuals within the family unit receiving assistance

D. In most instances, payment of the temporary relocation assistance is directly to a third party for the benefit of the homeowner, such as, rent or motel fees. On a case-by-case basis assistance may go directly to the homeowner. Such assistance may be as an advance, requiring that the homeowner provide receipts and reimburse the Town for unexpended assistance or the assistance may be provided on a reimbursement basis following presentation of receipts.

Section VIII: Complaints Resolution Process

Complaints or grievances by homeowners, contractors and vendors shall be filed in writing to the Community Development Director or his/her designee for the Town of Payson within 30 days of the date of the application rejection, or other action that the complainant disagrees with. The Community Development Director or his/her designee shall review the basis for the appeal and respond to the appellant within five working days.

If the complainant would like to appeal the Director's response, he or she shall do so within 30 days of the date of that response by filing an appeal in writing with the Town Manager. The Town Manager shall then review the basis for the appeal and respond to the appellant within 10 working days.

This document is available in alternative formats by contacting the
Human Resources Manager for the Town of Payson
(520) 474-5242 extension 242
303 North Beeline Highway
Payson, Arizona 85541

Section IX: Rehab Resources

A. Tools:

In order to successfully implement a housing rehabilitation program the following tools will be provided:

1. Properly trained rehabilitation services personnel to provide assistance from the initial intake through completion of work.
2. Properly trained code enforcement personnel to serve as liaison for all available programs as well as beautification/environmental tasks.
3. Temporary housing to be used to house families whose house is under construction through the rehabilitation program. Applicants will need to find their own temporary housing, and the cost of temporary housing shall be included in the maximum expenditure limit.

Emergency Repair Program

Section I: Program Design

A. Purpose:

1. To assist income-qualified families within the Town of Payson with minor emergency repairs to their home in order to provide safe, clean and decent affordable housing.
2. To upgrade living conditions through the rehabilitation of single-family, owner-occupied dwelling units for very low to moderate-income households within the corporate boundary of the Town of Payson.

B. Objectives:

1. To secure a variety of funding sources for implementation of a comprehensive rehabilitation program for the purpose of bringing eligible properties into compliance with adopted Town codes.
2. To provide technical assistance and counseling services to income eligible households for, and not limited to:
   a. Ownership Responsibilities
   b. Budgeting for property taxes, insurance and credit counseling
   c. Property maintenance *(servicing AC units, care for swamp coolers, changing filters, warranty review for new items, etc.)*
   d. Energy conservation
3. To coordinate code enforcement activities and rehabilitation services as an educational process in the Town of Payson to remove health and environmental hazards and promote cleanliness and pride of ownership.
4. To provide additional referral services to various agencies offering assistance in the areas of housing, medical, financial hardship, legal aid etc.

C. Target Area:

1. All income-qualified households within the corporate boundaries of the Town of Payson are eligible to apply for funding.

D. Eligibility Guidelines:

1. The property to be rehabilitated must be located within the Town of Payson's corporate limits.
2. Income guidelines established by HUD will be used to determine income eligibility. The applicant's maximum income level shall not exceed 80% of the Gila County median household income.
3. The property must be owner occupied for at least 12 months prior to application and must be the primary residence of the applicant.
4. The home must be suitable for rehabilitation under the time and monetary constraints of the program.
5. The program will provide assistance to low- and moderate-income households regardless of race, religion, color, sex, age, national origin, ~~marital~~ *familial* status or disabilities.
6. Properties located in the floodplain may be considered as eligible if approved by the Town of Payson Floodplain Engineer, *and no structures are located in the floodplain.* Proof of flood insurance is required.

7. Maximum Property Value: After completion of an emergency repair project the property value of assisted units may not exceed *ninety five percent (95%) of the area median purchase price for single family housing, as determined and published by HUD.* ~~the FHA 203(b) insuring limits for single family properties.~~ In the case the property has received both emergency repair assistance and housing rehabilitation assistance; the post-rehabilitation value will be the total of both investments. The post-rehabilitation value will be estimated by ~~adding the total rehabilitation investment to the full cash value of the property, as determined by the Gila County Assessor's Office.~~ *one (1) or more of the following methods:*
    a. *Estimates of value: Estimates of value by the subrecipient may be used. Project files must contain the estimate of value and document the basis by which the value estimates were derived. (For example: a real estate broker's price opinion with supporting comparable sales or real estate estimate websites.)*
    b. *Appraisals: Appraisals, whether prepared by a licensed fee appraiser or by a staff appraiser of the participating jurisdiction, may be used. Project files must document the appraised value and the appraisal approach used.*
    c. *Tax assessments: Tax assessments for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation.*
8. Properties rehabilitated through this program must be free of any encumbrance such as liens or judgments. Properties may be encumbered by a mortgage in first position as long as a financial institution or other such mortgage company holds that mortgage. However, there must be sufficient equity remaining to justify placing a lien for the rehabilitation deferred payment loan in second position. Properties encumbered by mortgages held by individuals or partnerships are not eligible for this program. Mortgage payments, utility payments and insurance premiums must all be current.

F. Funding Sources:

1. Funds from variety of sources, mainly Housing & Urban Development (HUD), Community Development Block Grant (CDBG), HOME grants, Housing Trust Funds, USDA 504 grants and loans, Emergency Repair funds, USDA Housing Preservation Grants (HPG) and local housing trust funds make the Housing Rehabilitation Program objectives possible. Any eligibility-based rehabilitation project may have one or any combination of funds and/or components to accomplish the goal of providing decent, affordable housing to income qualified applicants.
2. Funds will be based upon the requirements of the following funding source:
   a. Emergency Repair Grants: A grant to eliminate a threat to life, safety or health. Grant amounts will be determined on a case-by-case basis.
3. The maximum grant amount will be $10,000. This maximum shall include all project expenses, including title insurance, title report and inspections.
4. The Emergency Repair Program will not provide funds to repair or rehab a multi-family property or detached units of 8 or more units owned by the same entity, therefore the Davis Bacon wages are not be applicable.

G. Requirements:

1. Emergency Repair recipients shall maintain the property in compliance with the Unified Development Code, including keeping the property free of any inoperable vehicles, junk, trash, and debris
2. Homeowners' insurance is required at all times. The Community Development Director or his/her designee may allow short time extensions for insurance payment.

H. Rehab Standards:

1. The current building codes adopted by the Town of Payson shall be applicable for the Rehabilitation Program. The zoning provisions of the Unified Development Code are also adopted for this program.
2. *Work must be done in accordance with the ADOH Owner Occupied Housing Rehabilitation Weatherization Standards*. Energy and water conservation measures shall be included in the scope of work and will include green technologies and increased energy efficiencies where ever possible. ~~by incorporating Energy Star requirements i.e. use of CFL light bulbs, solar water heaters, additional insulation, dual-pane E-glass windows, low flow water saving devices, Energy Star HVAC systems rated at 13 seer or higher, mitigation of leaks in air delivery system etc.~~
3. Abatement of lead-based paint and asbestos shall be included dependent upon the cost of such measures.

Section II: Marketing

A. Marketing to Potential Applicants

1. The Emergency Repair Program was developed to eliminate housing threats to life, safety or health issues for very low to moderate-income households-within the Town of Payson. The participants in this program are entirely voluntary. Efforts are made to inform and promote program awareness to every segment of the community.
2. Awareness of this program will be promoted through local media to include the local radio stations and newspapers, as well as the Town's quarterly newsletter and website. The program will also be promoted on the town-sponsored television show on TV4.
3. Fliers and/or brochures to encourage applications for rehabilitation services will be available at the Town Hall, the Payson Library, the Dept. of Economic Security and the Community Development Department.
4. Staff of the Community Development Department will utilize the brochures and provide information to potential applicants about the program. The Code Enforcement Officer and Building Official will be the primary staff available to assist the Housing Program Coordinator with the marketing of this program.
5. Staff will work with the area CAP agency and other social service organizations to identify other preferred applicants.
6. Accommodations will be made for applicants who cannot physically travel to the office. In such cases, they may request that the Housing Program Coordinator visit their home to complete the application and obtain further assistance.
7. All marketing costs and materials shall be produced within the approved funding source guidelines, including Fair Housing and non-discrimination language. Upon

request, marketing materials will be provided in alternative formats for the disabled or translated into other languages or information will be provided directly by a translator.

B. Marketing to Contractors

1. The Building Official will ensure compliance with the procurement and contracting procedures outlined in the CDBG handbook.
2. The Housing Program Coordinator will use the contact list of qualified contractors maintained by the Community Development Department to solicit bids. Bid notices are required to be mailed out on all construction projects.
3. For a contractor to request to be on the contact list he/she must have a current Town of Payson Business License, be licensed, bonded and insured, and valid ROC standing.
4. *The Housing Program coordinator may also send invitations to bid to all contractors with a Town of Payson business license.*
5. Every effort will be made to obtain a minimum of three bids for each emergency repair project. On construction projects, if this is not possible, staff will request written permission from ADOH to use non-competitive negotiations to secure a contractor.

Section III: Staff Structure/Responsibilities

The Emergency Repair Program will be implemented by Town of Payson employees and/or professional service providers (i.e. CAAG). The Town of Payson Emergency Repair Team is composed of the following:

A. The Community Development Director or his/her designee is responsible for:

- oversight and implementation of the program;
- ensures that funds are properly allocated or spent.

B. The Housing Program Coordinator is responsible for the following:

- intake and processing of all applications, to include income verification;
- verifies ownership of property and orders title reports and all related documents. If property is in a trust and the occupant is the main beneficiary, he/she may choose to leave the trust in place; however, they must establish fee simple ownership prior to the Work Write-up (Scope of Work) is completed. A fee simple title must be in place prior to any contact negotiation or any performance of work;
- records promissory notes and deed of trusts with Gila County Recorder when applicable;
- develops and distributes marketing material for applicants and the general public;
- maintains individual client files in accordance with format requirements required by the Arizona Department of Housing;
- works with CAAG and the Grants Coordinator to prepare applications for grant funding to carry out rehabilitation programs;
- works with CAAG and Grants Coordinator to prepare Environmental Review forms;
- provides notice to the SHPO Office for homes that are 50+ years old and works with CAAG and Grants Coordinator to prepare and file all required E-HR forms;
- Supports Building Official in the preparation of the Scope of Work and all change

orders;

- provides program participants with counseling and education on homeownership maintenance, the importance of timely payment, the importance of homeowner's insurance and budgeting.
- maintains a contractor list for distribution of bid materials.
- Works with Building Official on advertisement and distribution of bid packets to contractors when applicable
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C. The Building Official is responsible for the following:
   - conducts initial inspection to determine the feasibility of including the home in the Rehab Program in accordance with Section IV, Paragraph #4 of the Town of Payson Housing Rehabilitation Guidelines;
   - ensures that inspections are carried out in a timely and proficient manner and that all repairs are completed within code parameters;
   - prepares bid documents and advertisement and distribution of bid packets;
   - conducts a pre-bid meeting at the rehab site to go over potential repairs with contractors and homeowner;
   - creates change orders and completed work approvals;
   - reviews and approves contactor payment requests and processes invoices for payment;
   - ensures that the Town of Payson's Housing Rehabilitation program complies with the OHD Housing Bulleting #1, December 2001, regarding the Implementation of the HUD-Lead-Based Paint Regulations @24 CFR Part 35 for CDBG and HOME Grantees/Recipients.
   - Counsels the homeowner about product warranties for newly installed appliances, the importance of changing furnace filters and other routine maintenance issues.

E. The Grants Coordinator is responsible for the following:
   - works with CAAG to prepare and submit funding applications;
   - works with CAAG to prepare Requests for Payment;
   - collaborates with the Town's Finance Department to process program-related invoices and track reimbursements from RFPs;
   - Works with CAAG to maintain a ledger of expenses independent of the Town's accounting system and will periodically reconcile these sub-ledgers to Town ledgers;
   - is responsible for overall grant file documentation and fiscal record-keeping compliance;

Section IV: Application

A. The Housing Program Coordinator shall be responsible for the application process for income-qualified participants. The Community Development building is designed for handicapped accessibility. If needed, the Housing Program Coordinator shall visit the applicant's home to obtain all necessary information for the application.
   1. <u>Prescreening</u>
      During the initial interview from a potential applicant the following information shall be obtained:
      a. Documentation of the yearly income of the household

b. Documentation of the ownership status of the applicant
c. Inquire about the types of problems that the potential applicant is having with his/her home, to be followed up by the Building Official during his/her initial inspection.

2. Application Process

The Housing Coordinator will assist with the preparation of the application and review the contents for accuracy. The applicant will sign a Privacy Act Statement, which gives Housing Coordinator permission to verify all information provided in the application. Decisions regarding approval of an application for assistance will be completed and rendered within 15 working days of submittal of all required information.

The Housing Coordinator will verify ownership by ordering a limited title report and checking with the Gila County Assessor's records.

The Housing Coordinator will ensure confidentiality by keeping all information in locked files. Income verification is valid for six months.

3. Definitions

Income: All wages, financial assistance from SS, VA, DES, alimony, child support, unemployment and any other income from any other source shall be considered in household income. Maximum allowable household income shall be in accordance with current HUD Section 8 requirements.

Household: All persons occupying the home, including permanent extended family, i.e. elderly parents, single children with children. In the case of more than one family per dwelling unit, every effort will be made to provide the non-owner with homeownership opportunity through another program to decrease over-crowding.

4. Eligibility Determination

The Housing Program Coordinator shall determine that the household income meets the applicable Section 8 income criteria and shall coordinate with the Building Official to determine that it is feasible to rehabilitate the home. A property is eligible for one rehab and one emergency repair project. Once completed, no additional rehab funds may be spent on the property.

5. Lead-Based Paint Abatement

Prior to the initial site inspection a lead-based paint (LBP) evaluation will be completed. If LBP issues are found, the Building Official will estimate the cost of abatement to determine whether the project is suitable for rehab within the constraints of the program.

6. Initial Home Inspection and Work Write-up

The Building Official or his designee will conduct a thorough inspection of the property to determine the scope of work, approximate cost, and the emergency

situation. An emergency situation consists of a need for immediate correction of a code violation(s) which constitutes: (a) a serious and urgent, life threatening hazard that comes about suddenly and unexpectedly; and/or (b) an incipient health and safety hazard (i.e. a code violation that, if not repaired, will cause serious structural damage to the property).

The initial home inspection will document through a priority listing the improvements, which are needed. This priority ranking of improvements will utilize the following format:

The following must be taken into consideration when determining the priority of items for inclusion in the work-write up (Scope of Work):

a. Fulfillment of the program's objectives
b. The age and the physical condition of the building and its suitability for rehabilitation
c. Funds available for rehabilitation of each unit
d. Value of unit after rehabilitation

7. Case Management
The Housing Program Coordinator will work closely with CAAG staff, which is responsible for reporting procedures and for the maintenance of all case files. The Housing Program Coordinator will also work with the Grants Coordinator and CAAG to fulfill the reporting requirements of the Department of Housing and any other funding source used for housing rehabilitation.

8. Project Specifications (Work Write-up or Scope of Work)
The project specifications are prepared by the Building Official and are compliant with the latest code requirements, construction methods and materials and preservation.

If a home is 50 years or older, the Housing Program Coordinator will provide notice to the State Historic Preservation Office (SHPO) with a narrative outlining the proposed project specs along with a current picture of the home. If the site is of historical significance, SHPO will either approve the project specs or make recommendations to modify the project specifications.

Section V: Forms

A. Construction Contracts shall be between the homeowner and the contractor. Contracts will include work write-ups, warranties, provisions, conditions and restrictions for both parties.

B. Other forms (to be used when applicable):

- ❑ Application Form
- ❑ Work Write-up Form
- ❑ Bid Proposal
- ❑ Bid Notice
- ❑ Bid Opening Form
- ❑ Pre-bid Conference