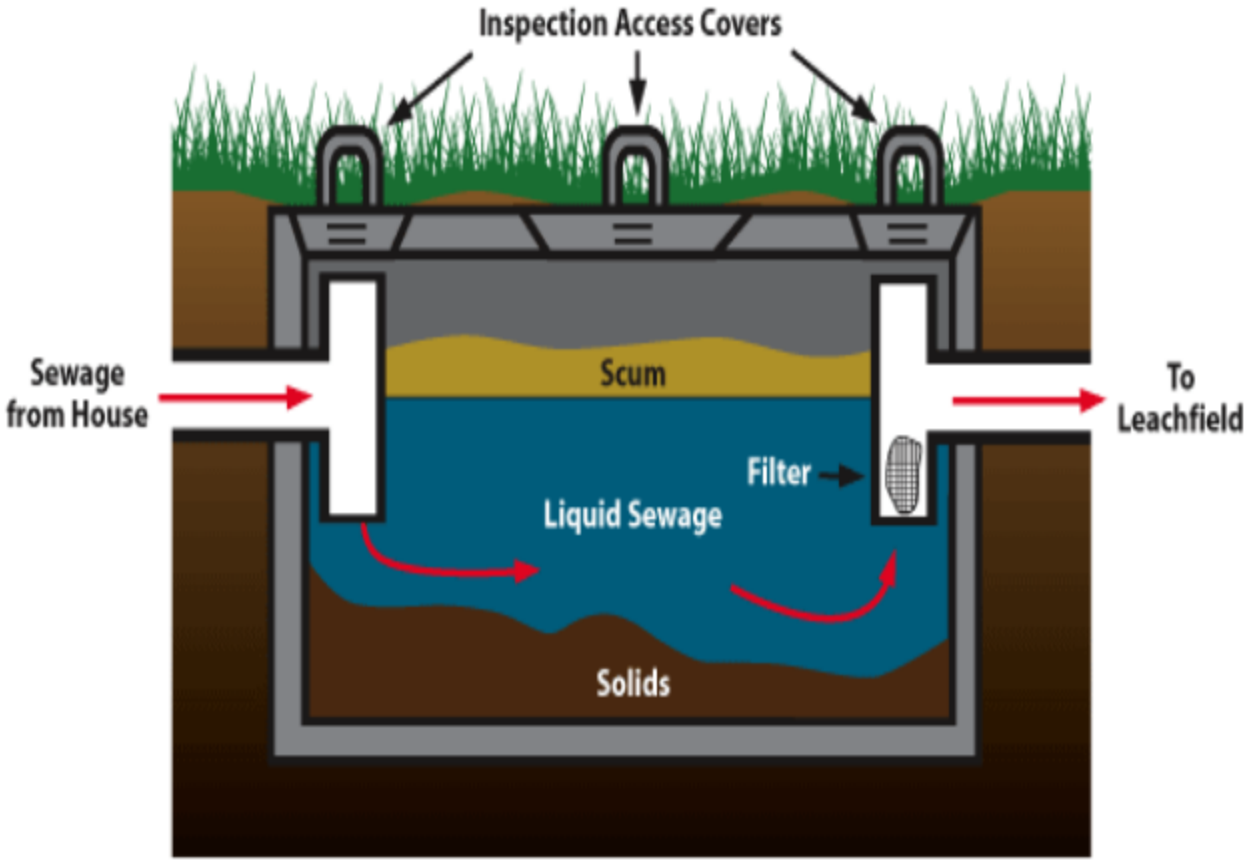
Indoor Plumbing Rehabilitation Program

PROGRAM MANUAL

PROGRAM ADMINISTRATION
AND ASSISTANCE OFFICE
Division of Community Development



Program Year 2018-2019

VIRGINIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Partners for Better Communities

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INTRODUCTION

The Indoor Plumbing Rehabilitation Loan Program (IPR) provides 0% interest forgivable loans in non-entitlement (population of 35,000 or less) towns and counties of Virginia to low- and moderate-income (LMI) owner-occupants of substandard housing where indoor plumbing does not exist or where the existing waste disposal system has failed. The program also provides for the general rehabilitation of these units, and for accessibility improvements or relief from overcrowded conditions, as needed, once the income, ownership and failed plumbing criteria are met.

The IPR Program was initiated by the Virginia Department of Housing and Community Development and has been in operation since 1989. The program is funded by the Commonwealth of Virginia, and HOME funds provided by the United States Department of Housing and Urban Development.

Over the years, the IPR program has evolved to better meet the needs of its clients and Regional Administrators, while upholding programmatic regulations and the major policy tenets of the Board of the Virginia Department of Housing and Community Development. Among those tenets are: 1) only those houses which lack a bathroom within the footprint of the house, lacks potable water indoors OR with a failing septic system would qualify for assistance; 2) self-help and homeownership opportunities create responsibility for ongoing property maintenance and build assets for lower income participants.

The Department of Housing and Community Development will contract with eight Regional Administrators *(See Attachment 32)* to administer the IPR program. The Regional Administrators are responsible for most program operations including outreach *(See Attachment 34 for brochure template to assist with marketing the program entitled, "What You Need to Know"),* application intake, beneficiary and property eligibility determination, financial packaging, construction management, and loan servicing. Each Regional Administrator has direct ties to the community via its local implementation partners and/or the Rehabilitation Program Oversight Board. Each beneficiary household receives training in home maintenance and budgeting.

Definitions

The following are definitions of words and phrases used throughout this manual:

- "Beneficiaries" refers to those LMI individuals or households who choose to participate in, or are directly affected by, the IPR program;

- “IPR” refers to the Indoor Plumbing Rehabilitation Loan Program;
- “LMI” refers to low- and moderate-income;
- “LMI persons” refers to persons who are members of a household whose cumulative household annual income is at or below 80% of the median income of the County or City or the non-metropolitan area of the Commonwealth (whichever is greater) in which a project is located;
- “Regional Administrator ” refers to the agency awarded an IPR contract, in some cases the tasks will be performed by the Regional Administrator’s designated agent or partner agency BUT the accountability still rests with the Regional Administrator;
- “DHCD HQS” refers to the DHCD Housing Quality Standards;
- “HUD” refers to the U. S. Department of Housing and Urban Development;
- “DOL” refers to the U. S. Department of Labor;
- “VDOT” refers to the Virginia Department of Transportation;
- “DHR” refers to the Virginia Department of Historic Resources; and
- “PAAO” refers to the Program Administration and Assistance Office of DHCD, which oversees the IPR program.

Icons

DHCD has attempted to make this manual as *user friendly* as possible. Several icons have been created to enhance your ability to use the manual.

These icons and their meanings are listed below:

☏ Call your DHCD Community Development Specialist for clarification or further assistance.

☑ A Best Practices suggestion.

❋ **Critical information to be noted.**

CHAPTER 1: PROGRAM BASICS

Management of the Indoor Plumbing Rehabilitation Loan (IPR) Program is supported by three principles: 1) a Program Management Plan which sets forth how the program will be implemented; 2) a Contract which sets forth DHCD conditions and the Regional Administrator's responsibilities; and 3) an IPR Budget based upon funding reservations available to the Regional Administrator.

Program Management Plan

All Regional Administrators must annually develop a Program Management Plan (PMP). A format for the PMP is provided in Attachment 1. The PMP and any substantive revisions **must** be adopted by the Regional Administrator's Board of Directors and reviewed in detail by the Rehabilitation Oversight Board. The PMP must also be reviewed and approved by DHCD prior to the issuance of an IPR contract. The PMP is a part of the Regional Administrator's contract with DHCD. Components of the PMP include, but are not limited to, the items listed below.

- A list of the Rehabilitation Oversight Board (Rehab Board) members. The Rehab Board is appointed by the Board of Directors of the non-profit or Authority designated as Regional Administrator. Its function is to oversee program implementation;

- Required responsibilities of the Rehab Board are outlined in Chapter 2.

- The PMP must name **the Program Administrator,** the person who will administer the program on a day-to-day basis, and describe the Program Administrator's responsibilities. Key responsibilities of the Program Administrator are to oversee the work of the Rehab Specialist and the financial manager and assure that the program is administered pursuant to all DHCD program requirements. A Program Administrator must be designated in order for the PMP to be approved and the Regional Administrator's contract executed.

- The PMP must name **the primary Rehab Specialist**, the person who will inspect houses, identify DHCD Housing Quality Standards (HQS) violations *(See Attachment 3)*, oversee blower door tests, prepare work write-ups and cost estimates for construction necessary to alleviate DHCD HQS violations, conduct and document weekly progress inspections of the construction work, and review and sign off on contractor pay requests based on inspection findings. The Rehab Specialist also assures compliance with lead based paint requirements, OR the Regional Administrator contracts with someone who will.

- If the Rehab Specialist will not serve as Lead Risk Assessor, identify who will act in this capacity. Describe

how the Assessor will coordinate with the Rehab Specialist in the development of the work write-up.

- The PMP must identify the **Financial Manager,** the person who will be responsible for tracking the receipt and expenditure of program related funds. It must also identify the **two persons** who will be authorized to sign checks as well as the two persons who will be authorized to submit remittance requests for IPR funds. If adequate numbers of personnel are available, for internal control purposes, at least three individuals **must** be involved in these transactions.

- The PMP must specify the criteria to be used to determine how applicants will be deemed **eligible for assistance**. This must include information such as HUD's low- and moderate-income limits *(See Attachment 12)* for the Regional Administrators' service area and the manner by which income and assets will be verified. The PMP must specify how the availability of funds will be advertised, and how eligible **beneficiaries** will be prioritized and selected for IPR assistance.

- The PMP must describe how **construction** contractors that are located within each of the counties served and at least 51% owned by lower-income residents of that county will be notified of this business opportunity. This measure will insure that the local Section 3 requirements are met. Local Section 3 contractors are further described as local contractors who have 30% of employed staff are Section 3 residents; or 25% of subcontracts are committed to Section 3 businesses. The method of soliciting participation by local Section 3 businesses and by minority and female-owned businesses must also be described and advertised.

- The PMP must describe how the Regional Administrator will pre-qualify construction contractors, procure bids, and execute construction contracts. The Virginia Public Procurement Act must be followed for **all** work funded in whole or in part by this program. Note that all contractors and their crews must document training in Lead Safe Work Practices and be Environmental Protection Agency (EPA) Certified as a Renovation Firm and have a Certified Renovator assigned to the project as well as the required Virginia contractor licensure necessary to be in good standing as a Class A, B or C as defined by the Virginia Department of Professional and Occupation Regulation (VDPOR).

- The PMP must describe the Regional Administrator's procedures to document weekly construction **inspections**, approve contractors' requests for payment, and the method by which change orders will be approved.

- The Program Management Plan **must** contain guidelines which assure that construction work is started and completed in a prompt,

cost effective manner that is minimally disruptive to the homeowner, including management of the temporary relocation process.

- The PMP must describe the types of **self-help** activities that the Regional Administrator will pursue, including the removal of debris and junk before construction starts if the homeowner is physically able to do so. It may include any specialized information regarding local wages, salaries, or fees that may affect the valuation of in-kind goods and services.

- The PMP must describe any homeownership strategies the Regional Administrator intends to initiate.

- The PMP must describe how the **Home Maintenance Education Program (HMEP)** will be conducted.

- The PMP must include a description of how **loans** will be serviced, the method of security to be used, and the Regional Administrator's loan servicing agent for all prior loans.

- The PMP must detail how active and inactive **program income** will be collected, tracked, and reported to the Rehab Board and DHCD. The PMP must also include details about the annual Program Income Plan which describes how program income will be used. Inactive program income must be reported annually to DHCD whenever loan re-payments exceed $25,000 for review and concurrence.

- The PMP must define the roles, procedure and time frame to be used in identifying and settling **complaints** from applicants, beneficiaries and/or contractors. At a minimum, the process must comply with DHCD's Standardized Complaint Process (See Attachment 4).

- The PMP must describe the circumstances under which families may be and will be temporarily relocated.

- The PMP must describe the Regional Administrator's plan to address lead-based paint procedures including occupant/contractor notification and protection.

Contract

All program activities undertaken **must** comply with the terms of the IPR contract between the Regional Administrator and DHCD (see sample at Attachment 5). IPR contracts must be executed by the chairman of the Regional Administrator's board or chief executive officer and DHCD. The contracts will be prepared by DHCD. All IPR contracts will include the following terms:

- Execution date and termination date;

- Commitment of funds deadline;

- The Program Management Plan, and the Program Income Plan, are considered to be a part of the contract;

- Conformance with the *IPR Management Manual*;

- Access to the Regional Administrator's records and rehabilitated properties by DHCD and, the U.S. Department of Housing and Urban Development (HUD);

- Cooperation with compliance reviews and timely (within thirty days) mitigation and clearance of findings from compliance reviews;

- Financial liability if the budget and administrative requirements are not followed;

- Prohibition of collusion, conflict of interest, favoritism and illegal discrimination;

- Performance and submittal of an annual audit in accordance with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (revised 02/27/2014);

- Timely submittal of Completion Report Form, which is within 120 days of Set-up *(See Attachment 10)*; and

- Conformance with all federal, state, and local statutes and requirements.

The IPR Budget

Expenditure of IPR funds must be in accordance with a current IPR Budget that has been approved by DHCD. The IPR Budget in CAMS shows the amount of funds reserved for each region and additionally for each project represented by a Regional Administrator.

CHAPTER 2: PROGRAM OVERSIGHT

General Regional Administrator Guidance

In most cases, contracts for a new program year will not be issued until Project Completion Reports are submitted for past year's open set-ups and a Compliance Review has been conducted and any issues resolved satisfactorily.

Contracts will be limited to ten (10) set-ups per Regional Administrator, based on the capacity of the administrator.

There will be an incentive pool for submission of additional set-ups after the initial allocation is exhausted. These additional set-ups will be approved on a first-come, first-served basis with DHCD verification. The incentive pool will be opened November 1st of each year.

A March 1st cut-off date for submission of set-ups for the current program year is hereby established. No set-ups will be accepted that are submitted in CAMS after March 1st to be funded from the current program year.

All projects will have a Deed of Trust and Note lien term of ten years.

All projects will have a 60-90 day construction contract and the Project Completion Report must be submitted to DHCD within 120 days of Project Set Up. There are no exceptions to these policies, coordinate your work carefully.

Regional Administrators are encouraged to work with local agencies engaged in housing improvements for low- to moderate income families in order to conduct various aspects of the project. The scope of work for the Partner Agency must be delineated in writing through a Memorandum of Understanding or similar mechanism. The Partner Agency may act as the designated representative of the Regional Administrator, however ultimate responsibility for following all local, state and federal regulation lies with the Regional Administrator.

Housing Rehabilitation

The phrase "housing rehabilitation" applies to all residential improvements made on private property with IPR funds. Improvements include housing repairs, bathroom additions, wells and septic system installations, and residential water and sewer connections. All rehabilitation work must be done in conformance with the DHCD HQS as found in Attachment 3. Housing rehabilitation projects involving twelve or more units per construction contract must also follow federal labor standards requirements. Please contact your Community Development Specialist if this is the case.

The primary function of the Regional Administrator (or the Partner Agency designee) is to oversee all day-to-day program activities to assure that they are carried out fairly and in conformance with the adopted Program Management Plan. The housing rehabilitation construction process is primarily the responsibility of

the Rehabilitation Specialist, but the Regional Administrator is expected to oversee the work of the Rehabilitation Specialist.

Rehabilitation Oversight Board

All Indoor Plumbing Rehabilitation Loan Programs being funded in whole or in part by DHCD must operate according to a written Program Management Plan (PMP), including any revisions that have been adopted by the Regional Administrator's governing body or Policy Memoranda issued by DHCD.

The Rehabilitation Oversight Board (Rehab Board) must oversee the provision of program benefits and the implementation of the adopted PMP.

The Rehab Board should be a specially-appointed board which has this program as its only responsibility.

The Rehab Board must:

- Be composed of representation from as many counties as possible that are in the region assigned;
- Have bylaws identifying the number of members present for a quorum at meetings. The Program Administrator, the Rehab Specialist, or any other person involved in the day-to-day oversight of the IPR program may not be a voting member of the board; and
- Have minutes taken at each meeting.

The Rehab Board's purpose is to provide fair and equitable application of the program to beneficiaries. The board **must** perform the following functions:

- Review, understand and implement the PMP and all revisions;
- Develop and adopt a set of operating rules or by-laws;
- Review staff work progress and performance;
- Approve contractors qualified as eligible to bid on work;
- Approve applicants for assistance and assure that benefits are being provided in accord with program guidelines and the applicant selection system does not violate Virginia's Conflict of Interest requirements;
- Approve bids and contracts for work to be performed;
- Resolve complaints or disputes which may develop;
- Review, adopt and adhere to the annual Program Income Plan; and
- Grant special waivers on a limited case-by-case basis.

At the discretion of the Regional Administrator, the Rehab Board may have other roles in the program administration although ultimate responsibility remains with the Regional Administrator.

Program Outreach

Regional Administrators must develop and conduct a program for soliciting, prioritizing, and approving applicants for rehabilitation. DHCD allows flexibility in the development of local guidelines, but once set, they must be followed.

Announcement of IPR program funds availability must:

- Be done annually;
- Be done publicly;
- Be uniform in that it is done similarly throughout the entire region (e.g. **not solely** through churches or social services);
- Be done throughout each jurisdiction in the Regional Administrator's coverage area; and
- Not be discriminatory in terms of being targeted to select groups or in a way to exclude certain groups.

The selection process for approved applicants for IPR assistance must:

- Be fair and objective;
- Be followed in all cases;
- **Allow for expenditures in all jurisdictions administered by the Regional Administrator** [may require Regional Administrators to prioritize waiting lists by jurisdiction rather than by one consolidated waiting list];
- May not favor one class of beneficiaries over another (e.g., elderly cannot be benefited to the exclusion of others, especially single parent households with children); and
- Be approved by the Regional Administrator's Board of Directors (note: this is approved as part of the Program Management Plan).

The Regional Administrator's selection system shall operate on a point system which prioritizes applicants.

Creation of Homeownership

Home ownership is created when a family (1) which resides in a house without indoor plumbing and (2) does not legally own or legitimately control its place of residence, becomes the legal owner of its place of residence. Families who meet these conditions are eligible for assistance under the IPR Program.

Except for inactive program income, no IPR funds are to be used for down payment assistance or mortgage financing. IPR funds may be used for rehabilitation of a house that is purchased through other means by an eligible applicant, <u>and</u> lacks indoor plumbing.

Regional Administrators may use lease-purchase as an avenue for assisting LMI households whose homes lack indoor plumbing. The Regional Administrator may purchase a rental property, rehabilitate it, and then enter into a lease-purchase agreement with an eligible

household for that property. The household MUST be identified and determined to be eligible PRIOR to acquisition of the property. To do so, the Regional Administrator must utilize the Uniform Relocation Assistance & Real Property Acquisition Policies Act of 1970, as amended, to purchase the property and retain ownership of the property for a specified period of time until the occupant becomes the owner of the property. With DHCD concurrence, a renter may be relocated if no legal transfer is possible, and if the substandard property they vacate is demolished. Any Regional Administrator planning to acquire property must contact its Community Development Specialist beforehand.

If the occupant of the leased property fails to become the owner of the property at the specified time, then the Regional Administrator must retain ownership of the property until another LMI first time home buyer becomes the purchaser, or an LMI family which lived in a house which previously did not have indoor plumbing becomes the purchaser.

The proof of ownership and evidence of the property transfer must be formally documented and deeds recorded.

Alternatives to Rehabilitation

In some cases it will be necessary or advisable to consider alternatives to rehabilitating a house. Alternatives may be necessary due to the cost of rehab, the sighting or condition of the original structure, or household circumstances. The most typical alternatives are permanent relocation and/or substantial reconstruction. Finally, there may be other considerations that affect a Regional Administrator's dealings with a potential beneficiary.

Permanent relocation

In some instances, it may be desirable to consider permanent relocation of a household from a dilapidated house. The relocation must be through acquisition to a house which is already in standard condition or to a house which will undergo rehabilitation to DHCD's Housing Quality Standards (HQS). *See Attachment 3.*

The requirements of the **Uniform Relocation Assistance and Property Acquisition Act of 1970, as amended, apply to permanent relocations**. DHCD can provide the Regional Administrator with the requirements of this Act.

If the property to which the household is being relocated requires repairs to meet HQS, **the cost of the acquisition and repairs and any relocation payments** (excluding moving expenses) **may not exceed appropriate cost limits**.

The property being vacated must be demolished by the Regional Administrator.

Partial Rehabilitation

In certain circumstances, the Regional Administrator may find that some properties are unsuitable for rehabilitation only because they will exceed the base cost and not because significant structural damage requires demolition. While these houses may

exceed the cost limits, there may be several reasons why it is not desirable to demolish the structure and replace it with a new one.

In such cases, the structure may be partially rehabbed so that all portions of the structure that are used daily by the occupants are brought to DHCD HQS. Those portions of the house which do not receive rehabilitation *must* be closed off and remain unused. Cost limits imposed on those properties deemed suitable for rehabilitation must be used.

✱ **All cases of Partial Rehabilitation must be approved by DHCD in advance of the execution of a construction contract.**

Substantial Reconstruction

If a Regional Administrator encounters a family in a house that needs to be substantially reconstructed and it can be done within DHCD cost limits, the Regional Administrator may construct a dwelling, demolishing the existing structure. Houses proposed for substantial reconstruction must receive DHCD approval prior to work beginning by way of the Substantial Reconstruction Worksheet found at Attachment 24. DHCD's policy for allowing the cost of "Substantial Reconstruction" of housing is as follows:

- The house must be owner-occupied;

- Substantial Reconstruction is a last resort after rehabilitation and relocation have been explored and documented as unsuitable;

- Substantial Reconstruction must take place on the footprint of the existing structure without significantly increasing it;

- The Regional Administrator's Program Management Plan must have clear definitions of both "Suitable for Rehabilitation" and "Unsuitable for Rehabilitation." The house to be reconstructed must be documented clearly as "Unsuitable for Rehabilitation" and must be demolished within thirty (30) days of the Regional Administrator's Final Acceptance of the replacement structure;

- Demolition means the dismantling, razing, and deconstruction of stick-built and mobile homes approved for substantial reconstruction so that the demolished house cannot be reused in any way. Demolished materials must be disposed in a landfill and/or salvaged for scrap.

  It is the responsibility of the Rehab Specialist and the Program Manager to verify and document that said demolished units comply with these guidelines;

- In the case where a contractor has physically begun rehabilitation and it is discovered that conditions are worse than expected making the property "unsuitable for rehabilitation" by the local definition, the Regional Administrator may terminate the contract and proceed with "substantial reconstruction" after submitting and having approved a

written request to DHCD which explains the situation. All work must be completed within DHCD cost limits;

- For properties which are determined to be "unsuitable for rehabilitation" the following process must be followed:

    - The Rehabilitation Specialist must prepare a written itemized cost estimate of the repairs needed to bring the house to DHCD HQS and the cost must clearly exceed the limitations in the Program Management Plan, or the Rehabilitation Specialist must document that a structural condition exists which clearly causes the property to meet the definition of "Unsuitable for Rehabilitation" as set forth in the Plan;

    - The Rehabilitation Specialist must prepare plans and specifications for the proposed substantially reconstructed house, and either prepare an itemized cost estimate or secure bids from contractors and suppliers of the cost of the proposed house;
    - The cost of the proposed substantially reconstructed house shall be less than the estimated cost of rehabilitating the existing house or the prevailing cost limits allowed for the structure will not cure all DHCD HQS deficiencies;

    - The Regional Administrator must submit to DHCD the Substantial Reconstruction Worksheet which provides the cost comparisons listed above. Attached to the worksheet the Regional Administrator must submit the rehabilitation cost estimate (or description of the structural defects making the property unsuitable for rehabilitation) and the basis for the cost estimate of construction of the reconstructed house. In addition, a sufficient number of photos of the house proposed for demolition to document the interior and/or exterior condition of the house. See Attachment 24 for a copy of the Substantial Reconstruction worksheet; and

    - The substantially reconstructed home may be either stick built or a modular home which meet the Virginia Uniform Statewide Building Code (USBC).

Other Considerations

The inhabitants of the house may have household or physical conditions that

make rehabilitation not a feasible option. These conditions may include potential or alleged criminal situations, situations involving certain physical or mental conditions of the primary occupant, or severely overcrowded situations.

It must be noted that **no individual or household is a presumed beneficiary of IPR funds.** If serious concerns arise for the health and safety of the occupants, or if there are official allegations of socially destructive behavior taking place in a home, **assistance may be deferred or terminated pending the completion of any official trial, hearing or investigation.**

Mobile Homes

Mobile homes are eligible for IPR funded rehabilitation provided they meet the test of not having a bathroom or a functional absorption system, the head of household owns both the mobile home and lot upon which the mobile home is situated, and the base cost of rehabilitation will not exceed $10,000 plus $10,000 for well and septic. **No other exceptions apply**. If the rehabilitation costs exceed these limits, the mobile home must be substantially reconstructed.

For the purposes of the IPR program, a mobile home is eligible for higher cost limits if it is a double-wide or equivalent with a continuous foundation and assessed as real estate by the Locality rather than personal property. If it was once a single-wide, but has had a permanent structure attached to it and is on a continuous foundation, DHCD must be consulted to determine the eligibility of this property for participation in the program.

The use of mobile homes to replace a mobile home or a stick-built home may occur only as the last alternative due to physical site constraints that prohibit stick-built house construction, and will require prior DHCD approval.

Home Maintenance Education Program

Regional Administrators must incorporate their Home Maintenance Education Program (HMEP) into their IPR Management Plan. In order to be approved, programs **must** include the following components:

- An explanation of how the heating system, the plumbing system, the electrical system, and the water heater function, a description of the proper use of these systems, and a description of potential common problems and solutions;

- An explanation and demonstration of how to properly clean and maintain these systems and the balance of the house on a routine, seasonal and annual basis;

- Instruction on household budgeting and personal financial management. It must explain how to establish and use checking and savings accounts, how to select and purchase insurance coverage, how to establish and follow a household budget, and how to recognize and avoid predatory lenders; and

- Distribution to the family of cleaning supplies and a tool kit to facilitate maintaining the home and its newly installed components.

DHCD strongly encourages conducting Home Maintenance training on a regular basis with small groups of beneficiaries or one-on-one. Neighboring Regional Administrators may collaborate to maximize training efficiency. Note that it is NOT acceptable to hold all training at the end of the contract year, due to the time lag between when the construction is complete and when the training is provided, and to the problems with accessing and holding funds.

Each training session shall be "hands on" in nature and take at least four hours, including one hour on budgeting. Contact your Community Development Specialist for illustrated training guides, when available.

Once the HMEP plan has been approved by DHCD, Regional Administrators may use up to 1% of base construction costs per unit up to a **maximum allowable cost of $250**, **based on actual documented costs**.

Collaborative Linkage

Due to the increased size of IPR service areas, a major concern of DHCD's is the continuation of a high level of customer service in addressing IPR needs in all areas of each service area, particularly in the far reaches of service areas relative to the location of the Regional Administrator's office. To achieve this, it is the expectation of DHCD that Regional Administrators will enter into collaborative arrangements with other former IPR subrecipients, or another agency approved by DHCD, to form partnerships and alliances to maximize customer service.

Regional Administrator and Partner Providers

The collaborative approach involving more than one formerly designated IPR Subrecipient will require that a written agreement or Memorandum of Understanding be executed between the Regional Administrator and each Partner that has agreed to provide a necessary service. Those agreements will outline the roles and responsibilities of each partnering agency and any compensation to be paid.

High Level Customer Service

DHCD expects applicants and beneficiaries to receive, in writing, a swift response to eligibility applications, copies of all required documents relating to the transaction, minimum time out of the home due to temporary relocation and an adherence to all timelines of the construction contract.

CHAPTER 3: THE APPLICATION PROCESS

Applicant Policies and Procedures

To be eligible for assistance, an applicant **and their property must** meet the following conditions:

1. A house must exist and must have a "failed absorption system," lack potable water indoors or lack an indoor bathroom.

    a. To be classified as having a "failed absorption system", there exists a malfunctioning system in need of repair to the absorption system, deemed a health hazard by the Virginia Department of Health (VDH) due to the presence of sewage on the surface of the ground, and in need of a VDH permit for repair to the absorption system. This is NOT intended to include units with plumbing maintenance issues.

    b. Potable water indoors means water free of hazardous minerals, organic substances, and toxic agents and suitable for human consumption as verified by third party laboratory analysis.

    c. Lacking a bathroom means the unit lacks a toilet within the footprint of the house, or contains a toilet within the footprint of the house, but the waste drops directly onto the ground under the house;

2. The applicant must have lived in their residence for at least one year;

3. The gross household income must be at or below 80% of the median

    income adjusted for family size for the locality *(See Attachment 12);*

    a. All income and assets **must** be verified by independent source documentation such as employer verification, social security, unemployment office or W-2 forms prior to approval for assistance by the Rehab Board;

    b. All income from assets and 6% of liquid assets or actual interest earned must be counted as income and added to the gross income of a household;

4. The occupant must have fee simple ownership or control of the property unless a formal written waiver of ownership is approved by DHCD; and

5. The household must have been selected according to an objective priority system that is overseen by the Rehab Board and recorded in the meeting minutes by beneficiary name.

A system for ranking applicants for IPR assistance is required. The following is a suggested point system for determining beneficiaries who have met the eligibility criteria.

a. Five points if the house "lacks a bathroom;"

b. One point if female headed household (other than elderly) which requires the presence of one or more legal dependents under18 years of age;

c. One point for each dependent child (under 18 years of age);

d. Two points for elderly headed household;

e. Two points for each person with a handicap that relates to the need for accessibility improvements (other than elderliness);

f. Two points if very substandard dwelling unit (major structural and mechanical deficiencies); and

g. Two points if below 50% of the median income of the county/city.

NOTE: Head of household is defined as the individual who provides the majority of the financial support for the family.

6. Priorities **must not** give undue preference to elderly households over those with children.

Application Process

Designing a set of application procedures which are comprehensive and fair is a fundamental prerequisite to a successful program. The Regional Administrator's procedures must be simple enough so as not to discourage participation in the program. However, they must contain enough safeguards to ensure each application is judged by the same set of standards.

Soliciting Applicants

All households within the locality to be served must be informed of the availability of assistance, procedures on how to apply, and the criteria and procedures for providing assistance.

One of the most effective methods to notify potentially eligible applicants about participation is by enlisting the assistance of local newspapers. News stories describing the benefits and procedures of the program can be helpful. Newspaper advertisements are required before issuance of the IPR Contract.

Outreach to social service agencies, senior citizen and church groups are also helpful. In many cases when people are uncertain of a "government" program the assurance of a trusted person such as a friend or clergyman is helpful.

Accepting Applications

Before accepting applications, Regional Administrators will need to decide at what time and place applications will be taken. It is recommended that Regional Administrators take applications at specific predetermined hours at a

convenient location so as not to disrupt other work activities and create a scheduling conflict for applicants. Once the decision is made it should be advertised with other program information.

Screening Applicants

One of two methods of pre-qualifying or screening applicants is generally used in programs. The first method is the use of a short form application that determines whether a household appears to meet the basic eligibility criteria. The applicant fills out and submits the short form to the Program Administrator or designated Intake Surveyor, who determines whether the applicant proceeds to the full application stage or, based on the information provided, is ineligible for assistance.

The second method of screening is to have all potential applicants meet personally with the Intake Surveyor. If the interview indicates that the applicant is probably eligible, either the full application may be taken at that time or an appointment is made to take the full application at a later date.

Completing the Application

Once preliminary eligibility has been established, a person is ready to complete a full formal application. It is required that the application be filled out by the Intake Surveyor during an interview. By doing this, the Regional Administrator will eliminate inaccurate information due to misunderstanding of the questions by the applicant which could result in time consuming revisions.

The application should contain the following information:

- Name, address and phone number;
- Household composition (identified by name, age, relationship to applicant and employment status);
- Race, ethnicity, and disability status of household members;
- Source and amount of income for all household members, including the name, address, and phone number of all employers to all household members;
- Description and amount of all household assets, including name and account number of financial institutions;
- Length of homeownership;
- Mortgage and or lien holders, including the terms and monthly payments and account numbers;
- Homeowners insurance coverage, including the name of insurance company and annual premiums and policy expiration date;
- Medical and other program allowed deductions;
- Utility types and average monthly cost;

- List of property improvements needed as perceived by the homeowner;

- Above the signature(s) a statement stipulating the right to verify all information given with warning: **"It is a violation of Federal Law and a Criminal Offense to make willful false statements or misrepresentations in the completion of this application for assistance;"** and

- Signature of applicant(s) and persons completing the applications.

- All signed documents are to be dated and placed in the client file.

Conducting the Interview

During the interview, explain the purpose of the application, how it will be processed and that all information will be verified. Emphasize also that all application and verification information will be kept strictly confidential.

☑ Be alert to discrepancies in information presented that may signify a possible omission. Probably the most common error or misrepresentation made by an applicant is the omission of a source of income or asset. Tactfully ascertain from the applicant whether they have omitted such information.

At the end of the interview, ask the applicant to carefully read the warning about misrepresentations. Both the applicant(s) and the Intake Surveyor must sign and date the application form.

☑ The interview is a good opportunity to explain again the program's purpose and requirements, including that this is not rehabilitation for aesthetic purposes. Also of particular note are ability-to-pay, junk and debris removal and Home Maintenance Education Program (HMEP) requirements. At this time, the Regional Administrator should supply the applicant with a copy of the complaint and appeals procedure.

Income and Asset Verification

All income and asset information must be verified by third party documentation. Gross income of the household from the previous year must be used. Six percent of liquid assets or actual interest earned must also be counted as income and added to the gross income of a household.

For each type of verification, the program should develop a form letter which explains that the applicant wishes to participate in the program and verification of income and assets is required for participation. It should be formatted such that it has:

- Blanks for the information to be filled in,

- A place for the person providing the information to sign, and

- The signature of the applicant.

☑ DHCD recommends that Regional Administrators first telephone the firms or institutions being sent the income verification form in order to explain the request. The Regional Administrator

should also enclose a self-addressed, stamped envelope with the verification form. Employers and banks are more willing to cooperate in verification requests the less cumbersome it is for them to do so.

W-2 forms or independently certified tax statements may be used to verify income when the Regional Administrator has failed to receive cooperation from the employer.

☏ Call your DHCD Community Development Specialist for guidance if none of these verification methods are successful.

☑ DHCD recommends that Regional Administrators verify that applicants are current on their mortgage payments just before the construction contract is executed, especially if there has been a lengthy gap between the application process and the start of construction.

Federal Equal Credit Opportunity Act

Along with the application and income verification letters, applicants must sign an *Acknowledgement of Receipt of the Equal Credit Opportunity Act (ECOA) Notices and Disclosures* form. See Attachment 22 for a copy of the form.

Selection of Applicants

The Rehab Board must review and approve eligible applicants based on the priority criteria outlined in the Program Management Plan. The income eligibility must be documented on the form ***HUD Household Income Report*** or by using the HUD Income Calculator for each client, found in Attachment 36.

Ineligible applicants should be notified immediately in writing that they are ineligible and given the reasons for this determination. See also "Complaints and Appeals," as found in Attachment 4.

All eligible applicants must be notified in writing and advised of the next step in the rehabilitation process. Generally the next step would be the initial inspection by the Rehabilitation Specialist and Program Administrator.

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CHAPTER 4: PROPERTY ELIGIBILITY

Property Ownership and Control

Ownership for all properties, including mobile homes, must be verified and documented so the Regional Administrator can ensure that the program is executing a contract with the person(s) who legally owns and controls the property to be rehabilitated. This assures that the identified, eligible beneficiary will have continued use and enjoyment of the property and that the IPR loan is secured.

Establishing property ownership is done by obtaining a copy of the deed from the owner and conducting a title search. Title searches are required. A maximum allowance of $750 is available for legal costs unless the Program Management Plan calls for the actual repayment of the entire rehabilitation loan. If the beneficiary is repaying the full amount of the loan, not to be confused with a forgivable loan, the legal costs may be shown in the rehabilitation activity as a construction cost and repaid by the owner.

DHCD allows less than fee simple ownership if it cannot be documented or achieved. A test for control could be payment of property taxes and insurance for at least the last three years.

Once the construction contract has been executed and the three days of Right to Cancel have passed, an enforceable Deed of Trust must be signed and recorded. However, an attempt must be made to contact, by certified or registered mail, and obtain the signature of all owners on the Deed of Trust.

Life estate ownership may be accepted provided that both the owner(s) of the property and the occupant who has the life-rights sign the construction contract, demolition contract and the Deed of Trust.

☑ Because of Virginia's inheritance laws, Regional Administrators should attempt to get the signature of a spouse on a life-estate gift or demolition contract regardless if the spouse's name is listed as a property owner.

Should the individual who has life-rights cease to live in the property during the mandatory ten (10) year term of the loan, the owner(s) of the property must either buy-out the loan at full value, less what has been paid and forgiven, or find an eligible LMI occupant for reasonable rental of the property for the remaining term.

Property Eligibility

Only houses with no bathroom, no potable water indoors or a failed absorption system occupied by LMI households that are the household's primary place of residence are eligible for IPR assistance. It is the responsibility of the Program Administrator to ensure that the applicant's property is eligible

according to the Certification of Eligibility and the Regional Administrator's adopted Program Management Plan. For more information about each eligibility type, see Attachment 7: Certification of IPR Eligibility.

Owner-Occupied Properties

A property owned by an LMI household can be rehabilitated to DHCD HQS with a base maximum IPR investment of $25,000 if constructed prior to 1978 or $50,000 if constructed after 1978. The base cost can be supplemented with "exceptions" that may exceed the base cost limit.

Investor-owned Properties

Rental units are not eligible for IPR assistance. However, if the tenant is in a position to purchase the unit for a nominal sum, then eligibility could be considered. Also, if the home could be purchased and rehabilitated within the DHCD established cost limits, then eligibility could be considered. This constitutes "**homeownership creation**" which is another goal of the IPR Program. Please consult your CD Specialist to seek guidance and approval when feasible if this situation occurs.

Contract Purchase Properties

Contract purchase or lease-purchase is when an LMI tenant is permitted to purchase a property directly from the investor-owner with little or no interest rate. These properties are eligible for assistance if documentation of the transaction is reviewed and approved by DHCD.

Heir Properties

An heir who can demonstrate control over a property and the likelihood of continued occupancy can receive assistance under certain circumstances.

Life Estates

As discussed earlier, LMI households who have a recorded life estate are eligible if the Program Management Plan allows this type of property to be rehabilitated. DHCD must be notified in writing of any change in a beneficiary's life estate status.

Mobile Homes

Owner-occupied mobile homes are eligible for IPR assistance provided they lack a bathroom, lack potable water indoors or have a failed absorption system as defined in the Certification of Eligibility, and the cost of the rehabilitation will not exceed the cost limits for mobile homes. If the rehabilitation costs exceed these limits, the mobile home must be substantially reconstructed preferably with a stick-built unit. The use of mobile homes to replace a mobile home or a stick-built home may occur only with prior DHCD approval.

A copy of the DMV title must be placed in the client rehabilitation file as ownership evidence and/or to verify demolition as applicable.

Cost Feasibility Evaluation

At this point in the process, the Regional Administrator will ask the Rehabilitation Specialist to conduct a preliminary inspection. The purpose of the preliminary inspection is twofold. First, it confirms that the unit fails DHCD HQS inspection and is eligible for IPR

assistance. Second, it confirms that the required work can be completed within DHCD's program parameters and in accordance with the local Program Management Plan. In particular, the Program Administrator and Rehabilitation Specialist can proceed with confidence that the cost of the work will not exceed funds available or determine that additional or other housing resources are needed to assist the household.

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CHAPTER 5: REHABILITATION LOAN PACKAGING

Rehabilitation Loan Packaging

DHCD requires that all housing assistance be provided in the form of a forgivable loan. The amount of the loan is based upon the housing rehabilitation construction cost and demolition if applicable.

Contracts and Agreements

A Deed-of-Trust must be executed and recorded prior to construction on all rehabilitation contracts.

After all selection criteria have been satisfied and a contractor has been selected, all parties must enter into a contract(s) prior to the issuance of a Notice to Proceed. Depending upon the nature of the assistance, several documents may be executed at this time. These are the base construction contract, the "exceptions" contract and/or the demolition contract.

Construction Contract

For each IPR project, two or more construction contracts may be required. For rehabilitation projects, the first contract is for the base construction costs and the second one is for the exceptions. For substantial reconstruction projects, the base construction costs and any necessary exceptions can be combined into a single contract.

Demolition costs are only allowed on substantial reconstruction projects. They are "stand alone" costs that must be contracted out separately; this is the second contract accompanying the substantial reconstruction contract. Regardless of the number of contracts executed, cost limits per category must not be exceeded.

Each contract should include an agreement with general conditions and federal construction contract language. The Rehab Board should have an attorney review and approve the contract used in the program. The attorney should be advised of DHCD recommendations and requirements.

❋ **Any work performed on a pre-1978 single family dwelling may not exceed a base cost of $25,000 unless the contractor is a licensed lead abatement contractor. If at least four (4) licensed lead abatement contractors are solicited, and one (1) of them is the successful bidder, the base contract may go up to $50,000.**

The following provisions must be included in the construction contract:

- Date of contract;
- Date (or number of days) until construction is to begin;
- Completion date;
- Amount of contract;

- Method of payment, including timing of progress payments and homeowner's role in approving all contractor payments;
- Contractor's name, address, DPOR license and/or registration number, expiration date, license classification (a, b, or c), and license designation (building [bld] or home improvement contracting [hic]);
- Reference to master and job specifications;
- Contractor's removal of debris and equipment during and after construction, as applicable;
- Contractor's use of homeowner's utilities;
- Contractor's insurance requirements;
- Access to property by contractor and program officials;
- Warranty requirements;
- Non-assignment of contract clause;
- Hold harmless clause;
- Right of inspection - power of inspector;
- Statement of compliance with all local requirements for building permits, inspections, and zoning;
- The Owner's pre-construction clean up requirement;
- The Occupant's home maintenance education program attendance requirements;
- Termination clause;
- Change order procedure;
- Restrictions on side deals between the homeowner and the contractor;
- A "plain-language" exculpatory clause concerning events beyond the control of the Contractor and a statement explaining that delays caused by such events do not constitute abandonment and are not included in calculating time frames for payment or performance;
- Signature of parties to the contract;
- *Federal Construction Contract Language (See Attachment 27)*; and
- *Notice of Lead-Based Paint Presumption* and *Confirmation of Receipt of Lead Pamphlet (See Attachment 31)*, if applicable.

It is a local Management Plan decision if the construction contract will contain a provision for liquidated damages.
All of the items may be incorporated into a two-party contract between the homeowner and the Regional Administrator (Homeowner Agreement) and a two-party contract between the Contractor and the Regional Administrator (Construction Contract) or a three-party contract between the homeowner, Regional Administrator and

contractor. Most Regional Administrators use a three-party contract.

Deed-of-Trust

The *Deed-of-Trust* is a lien document that secures the beneficiary's commitment to adhere to the loan, resale, and residency requirements to the title of the house and property, and references the Deed-of-Trust Note.

A Deed-of-Trust must secure all loans, including loans to heir-occupied and life estate properties. It must cover the cost of all improvements, including any exceptions and demolition. In addition to referencing the amount of assistance, the agreement should incorporate the following:

- The complete address of the Trustee;
- Terms of the loan;
- Deed-of-Trust Note or loan agreement;
- Payment of Debt, Taxes and Utility Charges;
- Maintenance of property during term of loan;
- Program's role in inspecting and approving work and payments;
- The Owner's requirement to obtain adequate hazard insurance, with the Regional Administrator listed as a loss payee;
- The Owner's requirement to obtain an annual septic maintenance agreement, as required by the Virginia Department of Health for alternative septic systems; and
- Resale and residency requirements;

☑ It is recommended that the Deed-of-Trust prohibit the house from being used as bond security so someone can get out of jail while awaiting trial.

☑ In a life-estate situation, the Regional Administrator should check with its Attorney to determine if the Deed-of-Trust should say the estate is encumbered in order to protect the Regional Administrator if the beneficiary defaults.

☑ The Deed-of-Trust must be recorded at the courthouse in the county or city where the rehabilitated house is located.

☑ It is recommended that all signatures be notarized and the Deed is recorded immediately after contract execution and the Right to Cancel period ends.

IPR loans may be placed in first, second or third position on a property title. Once recorded, the Regional Administrator may not subordinate DHCD's position without its prior written approval. In addition, the project's Program Management Plan must stipulate under what special circumstances subordination will be considered e.g., bankruptcy, removal of code violations, bills due to a medical emergency or educational expenses and that the decision will be made by the

Rehab Board with concurrence from DHCD. Furthermore, the Program Management Plan must require that the homeowner will be required to attend instruction on predatory lending prior to intermediary subordination.

See Attachment 20 for a Deed-of-Trust sample.

Deed-of-Trust Note

The Deed-of-Trust Note is a promissory note or the beneficiary's written promise to adhere to all the commitments made in the Deed-of-Trust and stipulates when and how all of the terms of the loan are to be satisfied. The Note must be held in safekeeping i.e. a safe, safe deposit box, or a drawer or cabinet that is routinely kept locked by the Regional Administrator until all the terms of the loan are satisfied.

☑ It is recommended that the original Note be kept in a safe with a photocopy in the client file.

The note should stipulate the following:

- Rate of interest;
- The term of the loan, and the loan maturity date;
- The amount forgiven each month;
- Late payment and default penalties; and
- Time and location for payments.

At the end of the loan term, the Deed-of-Trust Note must be marked "paid in full", for all amounts paid and/or forgiven. A *Certificate of Satisfaction* must be issued by the Regional Administrator to the homeowner, indicating that the note has been satisfied and all obligations have been met.

☑ It is recommended that the *Certificate of Satisfaction* be sent certified, along with a letter stating that it needs to be taken to the Clerk's Office. This will give the Regional Administrator proof that it released the *Certificate*. Check with your attorney as to how long you have to release the *Certificate* in order to avoid any court fines. See Attachment 20 for a *Deed-of-Trust Note* sample.

Notice of Right to Cancel

This closing document must accompany every Deed-of-Trust and be provided to each beneficiary at closing. As required by Regulation Z of the Truth-in-Lending Act, it allows every homeowner a three-day grace period between the signing of the Deed-of-Trust and the start of construction to cancel the entire transaction. During this time period, no activity regarding this loan may take place. This includes recordation of the Deed-of-Trust and issuance of the Construction Contract. See Attachment 19 for a copy of the Notice of Right to Cancel.

Truth-in-Lending Disclosure Statement

This is another closing document, which must accompany the *Deed-of-Trust Note* and be provided to each beneficiary at closing. It details the exact amount of money borrowed, including any interest charges, payment schedule, prepayment

and late payment policies, insurance requirements, and reference to contract, as required by Regulation Z. *See Attachment 21 for a copy of the Truth in Lending Disclosure Statement.*

Minimum Forgivable Loan Requirements

All housing rehabilitation projects must abide by the following requirements related to repayment of loans:

- All rehabilitation loans must be secured by a ten (10) year recorded Deed-of-Trust;
- The Deed-of-Trust must be tied to a promissory note (Deed-of-Trust Note) requiring that the beneficiary make 120 monthly payments over ten (10) years at 0% interest;
- Beneficiaries must agree, in writing, to reside in the property rehabilitated for the entire term of the forgivable loan;
- In the event of a sale of the property before the term of the forgivable loan has ended, the outstanding amount of the forgivable loan must be repaid;
- In the case of death or institutionalization of the owner, the heirs may rent the property to allow an LMI family to reside in the property if approved by DHCD. If the beneficiary had life-rights to the property, the owner may either buy-out the loan at full value, less what has been paid or forgiven, or find an eligible LMI household to rent the property;

Loan Servicing

The Regional Administrator or a qualified agency or institution which services loans under this program will be under *no liability* for loss of funds due to lack of repayment or default by program beneficiaries.

The responsibility of entities servicing loans is to collect, forgive and otherwise manage payments monthly. The servicing agents are to maintain records of loan balances, final payment due dates, and to make a good faith effort to collect delinquent loans.

Collection of delinquent loans may be conducted according to local policy (up to and including foreclosure) but must adhere to all requirements under State and Federal law related to the collection of delinquent or bad debts.

✱ **The Regional Administrator must issue an annual financial statement and payment history to each beneficiary regardless of ability to pay.**

CHAPTER 6: CONSTRUCTION MANAGEMENT

Selecting and Qualifying Contractors

The first step in the rehabilitation contracting process is identifying and recruiting good contractors. Begin by determining what qualifications are expected. Remember, your program will only be as good as the contractors who actually do the work.

✱ **Good contractors will make a good program and a good program will attract good contractors. Conversely, by utilizing poor contractors you will deter good contractors and families from participating, as well as creating headaches for yourself.**

Any contractor doing work on a housing rehabilitation project funded with IPR monies must be licensed pursuant to the regulations of the Board of Contractors. All licenses must have a classification and a category. The appropriate classifications and categories acceptable for rehabilitation work are outlined below.

Classifications

All contractors must be licensed by the Virginia Department of Professional and Occupational Regulation (DPOR) as a Class A, Class B, or Class C contractor. Most contractors working on housing rehabilitation projects will be Class B contractors. This means they can work on any single job whose total contract value is between $10,000 and $120,000 or contracts totaling between $150,000 and $500,000 during any twelve-month period.

A Class C contractor may be able to do minor rehabilitation work. The current threshold for these contractors are single contracts between $1,000 and $10,000 or contracts totaling less than $150,000 over a one-year period.

Class A contractor can bid on work on single contracts of $120,000 or more.

✱ **To find out if a contractor has a DPOR license, call 804-367-8511 or go to *www.dpor.virginia.gov* and click on "License Lookup." Regional Administrators should also be aware that the thresholds are subject to change by DPOR. Therefore it is prudent to periodically check the current thresholds with DPOR.**

Designations

In addition to having a license classification of A, B, or C, each contractor must also have a license designation. General contractors doing rehabilitation work must be designated as either a "Building Contractor [BLD]" or a "Specialty Contractor [SVC]". If a contractor has SVC designation, then he/she must have the specialty service of HIC (Home Improvement Contracting) following the SVC designation i.e., SVC-HIC.

For any electrical work, plumbing work or heating, ventilation and air conditioning (HVAC) work to be done on a house being

rehabilitated with IPR monies, the following applies:

- If the respective work e.g., electrical, is $1,000 or more, the work must be done by a contractor licensed to do that specific kind of work (have the ELE designation on his or her license);

- If the respective work is less than $1,000, and the Regional Administrator participates in the Tradesman Certification Program, the work must be performed by a person who has a Masters Certification in that respective trade; and

- Any digging of wells for potable water service can only be done by a contractor licensed as a "Water Well Contractor (WWC) ," regardless of the cost to dig the well.

Some contractors may have multiple designations on their license such as Building (BLD), Electrical (ELE), Plumbing (PLB), and/or HVAC. If a General Contractor has such multiple classifications, retention of a licensed subcontractor in a related field is not necessary.

Lead Training and Certification

Each contractor, subcontractor and worker must have successfully completed a HUD-approved Lead-Safe Work Practices (LWSP) training course relative to the rehabilitation of housing constructed prior to 1978. The Regional Administrator must also obtain verification of EPA “Renovation, Repair and Painting” certification as a firm with a Certified Renovator assigned to the project, and place it in the Pre-Qualified Bidder’s file.

Pre-Qualifying Contractors

Pre-qualification of construction contractors must be done through the use of a standardized application form. Information requested must include:

- Type of work performance;

- Recent projects completed of the type and size to be bid;

- Suppliers and credit established;

- Bank references;

- Insurance coverage;

- Subcontractors utilized and their contractor’s license (Class A or B);

- Number of employees;

- Proof of necessary license (Class A or B); and

- Proof of Lead training.

See Attachment 25 for a Contractor’s Qualification Statement sample. This form should be updated every two years.

Standards for General Contractors

The Regional Administrator must develop criteria to evaluate contractors for inclusion or exclusion on the Bidders List. The criteria should allow you to include only legitimate, experienced general contractors with good references and

credit histories. The criteria should allow rejection of contractors due to predetermined standards of experience, capability and credit. Job and credit references should be verified. If feasible, the Rehabilitation Specialist should inspect the contractor's most recent work.

It may be necessary to reject contractors due to poor workmanship or bad credit. Additionally, you may want to limit inexperienced contractors to smaller jobs initially or to advise specialty contractors to act as subcontractors to general contractors. Without pre-qualification it is very difficult to limit the involvement of inexperienced or specialty contractors and a multitude of problems may lie in store for both the program and the contractor.

More stringent standards may be required, but must, at a minimum, utilize the following standards:

- Licensed by DPOR as a Class A, Class B, or Class C and licensed in the appropriate trades to be included;
- Documented current personal property liability insurance coverage of $100,000 property and $300,000 bodily injury (minimum);
- Good references from at least two (2) jobs similar in work and dollar value to the work on which they are bidding. Regional Administrator must document having checked references;
- Have been in business as a General Contractor for at least one year;
- Have an established credit record with no outstanding or pending judgments or claims. Bonding cannot be required if adequate credit is established; and
- Proof of training in Lead-Safe Work Practices, EPA Certified Renovation Firm and Certified Renovator.

All contractors to be included on the Pre-Qualified Bidder's List must be approved by the governing board of the program.

Advertising for Contractors

Solicitation must be made in a newspaper(s) that is generally circulated in the region. The advertisement must state the following:

- The Regional Administrator is operating a housing rehabilitation program;
- The estimated dollar amount of all rehabilitation contracts to be let;
- The estimated number of rehabilitation contracts to be let;
- The general qualifications necessary for contractors to be eligible to bid on rehabilitation work; and
- Where and how contractors may pre-qualify for the bidder's list.

Direct Solicitation of Contractors

Direct solicitation of good, local contractors should be done also. This can be done by posting notices at the County Building Official's office and at local building supply stores or contacting

contractors known to the Rehabilitation Specialist.

Contractors' Information Meeting

It is advisable that Regional Administrators schedule an annual contractors' information meeting. Such a meeting can be very helpful in creating understanding of the program and securing cooperation between the program and potential contractors.

At the contractors' meeting, the Regional Administrator and/or the Rehabilitation Specialist must explain the program and bidding procedures. The standards and master specifications to be utilized in the program are distributed and explained. Procedures for bidding, contract form, and payment, should be fully explained and distributed in writing.

Using the Pre-Qualified Contractors List

Once a list of qualified contractors is established, the Regional Administrator may assure a reasonable level of quality control by bidding exclusively from the list, provided:

- All contractors on the list are given a nearly equal number of bidding opportunities,
- There is continued opportunity for additional contractors to apply for pre-qualification and inclusion on the bidder's list, and
- Bids are solicited from at least four (4) contractors for each contract.

Preparation of Specifications and Bids

After the Rehabilitation Specialist and the Regional Administrator have developed their respective lists of all of the needed repairs and have met to compare their findings, the Rehabilitation Specialist should begin the task of writing specifications for bidding and carrying out the work.

Good job specifications are an essential element in a successful rehabilitation program. The job specifications are the basis for competitive bidding. They are a part of the contract documents. The job specifications are the basis for resolving disputes and for requiring contractors to fully complete necessary repairs.

☑ Good job specifications have three common attributes: clarity, measurability and specificity.

Master Specifications

The Rehabilitation Specialist must employ master specifications, which are based on the DHCD HQS. See Attachment 3 for a copy of the DHCD HQS. They are a set of standard specifications covering materials, equipment and installation procedures to be used in your Rehab Program. The master specifications should cover every component of housing construction and for each component should describe, in detail, the grades and standards of materials and equipment, which the program considers adequate. This description may include brand names or equivalents, and performance standards. For each component e.g., doors, windows, roofing, the master

specifications should describe what parts make up the component so when the component is referenced in the job specifications, the contractor will be expected to replace all parts.

The master specifications should also detail construction methods to be used in the installation and repair of all common components so that when the word "install" is used the contractor knows what is expected.

By referencing the master specifications, the job specifications can be shortened considerably while still being descriptive. Of course, if a type of repair is not covered in the master specifications or the Rehabilitation Specialist wishes to provide special emphasis on a certain installation, a detailed description should be included in the job specifications.

☑ All job specifications should state that all work is to conform to the Master Specifications. Many programs provide references to the applicable section of the Master Specifications in the appropriate corresponding section of the job specifications.

☑ Adherence to Green Building practices, where appropriate, is encouraged for rehabilitation. Substantial Reconstruction cost limits provide an additional $4,000 for homes built to nationally recognized Green Building Standards such as Earth Craft or LEEDS. The standard must be approved by DHCD in advance of construction start.

DHCD also requires the use of Energy Star rated appliances as they will provide cost savings to beneficiaries in the long run. For more information, go to www.EnergyStar.gov, www.AARP.org/Universalhomes or www.BuildingGreen.com.

☑ DHCD supports the use of Green Building techniques and Universal Design elements whenever possible i.e. 36" wide doorways, levered entry hardware, low flow toilets and showers, halogen/LED bulbs and thermal/low-e windows. This is particularly applicable where the substantial reconstruction of a unit will be taking place.

Job Specification Format

The Rehabilitation Specialist should use the same format with each bid. Typically, the format would include:

- A cover sheet with all pertinent contact information;
- Paragraphs containing specifications for individual or related repairs. Each paragraph should be numbered and contain an underlined heading that describes either the component or room location of repairs. Interim control measures should be under one heading. Each paragraph should have a space for the subtotal bid for those repairs;
- The last page must summarize the total bid, making sure to separate base costs from exceptions; and
- Floor plans must be provided, showing the location of all major work in each room.

☑ As with other formal procurements, the bid should include

Instructions to Bidders, General Conditions and a Bid Form.

The bids should indicate that the Regional Administrator reserves the right to reject bids which are not within 10% of the cost estimate.

Organization of Work Items

The organization of individual work items within the job specifications should be decided by the Rehabilitation Specialist. There are two general methods of organizing specifications: room by room, and by component. Many programs use a combination of these two methods. Room by room headings are used for all carpentry and room specific repairs. Component headings are used for major systems which affect the entire house or a significant portion of it e.g., electrical, heating, insulation, roofing, etc.

All lead hazard reduction activities or interim controls should be itemized in the write-up so that timeframes coordinating cleaning, clearance testing, and temporary relocation are identified as needed.

Cost Estimating

Every program must complete a thorough cost estimate for every job it bids before the bid is solicited. The cost estimate should be done by unit cost of each repair and broken out by the same subtotals listed in the bid.

In order to arrive at a unit cost, the Rehabilitation Specialist should utilize experience, reference books and local prices. By experience it is assumed that the person doing the estimating has some contracting experience upon which to assess costs. If the estimator has little or no contracting experience or has experience in only a portion of home repair, he or she will have to rely more heavily on the other sources.

All cost estimators should utilize at least one reference book which gives an updated listing of unit costs of typical home repairs. Some sources for these publications are Home Tech Publications, McGraw-Hill (Dodge Reports), Craftsman books, Fred R. Walker. Addresses for the sources are available from DHCD. Reference books should be used as a general guide to specific unit prices. The Rehabilitation Specialist should fine tune these prices through actual bid results and research on local prices.

A good estimator should routinely check with local suppliers to keep track of the cost of commonly used materials and equipment. This exercise not only assists in honing cost estimating skill, but also develops good relations with suppliers. It also provides the Rehabilitation Specialist with knowledge of what materials are locally available and what materials may be acquired at a good price. (Example: The estimator in visiting local suppliers may find that fiberglass tub kits are available at considerable savings over tile installation).

The Rehabilitation Specialist should use the cost estimates in several ways. Cost estimates may show that the bids will likely exceed the program's maximum allowable cost per house, thus creating a need to delete or scale down certain work items to include alternatives. When bids are reviewed, they can indicate that a

bidder either misunderstood the job specifications or was taking the job at a loss. Some bidders will bid low in order to win a contract, planning to recoup by requesting numerous change orders.

Bidding and Construction Process

All housing rehabilitation construction contracts that will use IPR funds must abide by the *Virginia Public Procurement Act*. The Act allows use of one of the following processes depending on the estimated value of the contract to be awarded:

All contracts less than $30,000 in estimated costs must be done in accordance with the Regional Administrator's adopted small purchase procedures. These procedures do not require competitive sealed bids for construction contracts if the aggregate or sum of all phases of a contract is not expected to exceed $30,000 as long as the procedures provide for competition wherever practical.
Contracts with an estimated cost of $50,000 or more must use a competitive sealed bid process. A public notice should be posted in a designated public area and advertised in a newspaper of regional circulation at least ten (10) days prior to the date set for receipt of bids. Bids must be opened in public with an announcement of the bids received. Alternately, four (4) pre-qualified contractors may be mailed the Invitation to Bid at least ten (10) days prior to the bid opening date.

Pre-Bid Conference

DHCD *highly* recommends that a pre-bid conference be conducted. The purpose of the pre-bid conference is to allow bidders to ask questions and comment upon the Bid Documents and for the Regional Administrator to issue instructions or clarifications to them.

The pre-bid conference should be held at a time approximately midway between the Invitation to Bid and the Bid Opening. The time, date, and place of this conference should be included in either the Invitation to Bid or the Instructions to Bidders.

The Rehabilitation Specialist should walk through the property with the contractors in attendance. Any questions concerning work specified should be answered, but the Rehabilitation Specialist should be very careful to provide comments only in explanation of what the specifications cover. Substantive verbal instructions or changes may not take place at the Pre-Bid Conference.

✱ **Absolutely no changes, alternatives, or additions to the specifications may be officially agreed to at this Pre-Bid Conference. Any changes to the Bid Documents must be done as a written addendum.**

Addenda

Changes to the Bid Documents that take place after the publication of the Invitation to Bid are called addenda and become a binding provision. All addenda must be issued in writing. Verbal addenda are strictly prohibited. Addenda can derive from:

- Comments or questions received at the pre-bid conference;
- Phone inquiries from prospective bidders; or
- Clarifications of technical issues discovered after formal advertising.

When an addendum is necessary, it must be provided to every prospective bidder who received a copy of the Bid Documents. Addenda should be transmitted to all bidders at the same time and at such a date as to allow sufficient time for bidders to accommodate the changes in their bids.

Bid Opening

Everyone with a vested interest in the rehabilitation project should attend the bid opening. At a minimum, the Regional Administrator and a witness must attend. All bids must be opened publicly and read aloud at the time stated in the Invitation to Bid.

After the bids have been opened and read, interested parties should be informed that the bids shall be taken under advisement and the parties will be notified of the award. A bid tabulation form shall be prepared comparing the base and individual exception prices and the Rehabilitation Specialist's estimate, signed by the Program Administrator and a witness, preferably the Rehabilitation Specialist, and placed in the client rehabilitation file.

The Bid Tabulation will be shared at the next Rehab Oversight Board meeting so that an award can be officially made.

✱ **DHCD recommends that the Rehab Specialist be in attendance at the bid opening; however this is not always possible.**

✱ **Bids may not be accepted past the stated time for close of receipt of bids. No verbal modifications or clarifications of bids will be allowed after the bids are opened. Withdrawal of a bid by a contractor after it has been submitted is allowed only as described in the *Virginia Public Procurement Act***

No contractor who is debarred by HUD, Department of Labor (DOL), or by an agency of the Commonwealth of Virginia is eligible to work on any IPR funded project. Prior to construction contract award, the Regional Administrator must contact the Community Development Specialist and receive confirmation from DHCD that the apparent low bidder is not on a list of debarred contractors. This confirmation may be verbal and will be followed-up with a written confirmation from DHCD. The information necessary to check debarment includes the name of company, tax identification number (TIN) or principal's social security number (SSN), and Virginia Department of Professional and Occupational Regulation (DPOR) license number.

Contract Award

The Rehabilitation Specialist and Regional Administrator should evaluate the bids received, determining if they are complete, based on the requirements set forth in the invitation and the Program Management Plan, and within DHCD's cost limitations. A contract award recommendation shall be made to the

Rehab Board. All bids must be reviewed and approved by the Rehab Board with the contract signed by the Chief Executive Officer.

If the cost of the best bid is not within 10% of the Rehabilitation Specialist's cost estimate, a memo must be placed in the client rehabilitation file, justifying the contract award. If the contract is not awarded to the lowest bidder, the reason must also be documented. This could include the bidder not being in good standing with the program or the bidder not having the capacity to complete the project within sixty (60) days.

✱ **No person may bid on or be awarded a contract to perform work on property which they own or in which they have financial interest.**

If the contract award results in the contractor receiving contracts that in total or in accumulation exceed $50,000, the Regional Administrator must obtain a completed *Contractor Disclosure Report*, which is found in Attachment 26.

Pre-Construction Conference

Upon award of the bid, a pre-construction conference must be held. This is a critical event in implementing an effective, timely construction process and clarifying any remaining questions that the homeowner has about the project. The conference should be a formally scheduled meeting attended by the Regional Administrator, the Rehabilitation Specialist, the Homeowner, and the Contractor.

The first part of the conference will be an overview of the construction process. All participants should reach a mutual understanding of how the construction work should be carried out, what the end product will be, and the roles of all parties in the process. The following items should be discussed:

- Start and completion dates;
- Work hours;
- Inspection procedures;
- Payment schedule;
- Responsibilities of all parties;
- Complaint and appeals procedure;
- Change order procedure;
- Debris removal and clean-up requirements; and
- Temporary relocation.

At the conclusion of this portion of the conference, the contracts should be executed, along with the federally-required notices. A copy of the complaint and appeals policy should be given to the homeowner, again.

The second part of the conference is a site visit. The contractor and homeowner should be taken room by room and shown the location of all work. All parties should thoroughly understand what will be done. Homeowner preference in colors and styles of selected components should be discussed.

If there is a disagreement about the scope of work, the Rehabilitation Specialist should provide a ruling based on the work write-up. If work is not covered by the write-up, a change order should be requested or the Rehabilitation Specialist should inform the homeowner it is not covered. The Rehabilitation Specialist should make it clear that items requested by the owner not covered in the contract will not be paid for with IPR funds. Side deals are forbidden during the sixty day IPR construction period.

If during the site visit, the Rehabilitation Specialist determines that the homeowner has not properly cleared the site, he or she should put a hold on the project until it is done. This may require a change order to modify the start and completion dates of the project.

Change Orders

Change orders are strongly discouraged in the IPR Program. There are two kinds of change orders:

- Change orders that relate to eligible HQS deficiencies not identified in the original work write-up; or
- Time extension change orders which must be initiated as soon as the need for them is determined; and,
- They must be fully executed no later than the last day of the construction contract.

Change orders are any alteration made through an addendum to the rehabilitation contract. This includes changes to the specifications, changes to the contract amount and/or an extension to the contract's completion date. Change orders must be initiated by the Rehabilitation Specialist as soon as the need is determined. Those pertaining to the specifications should be only for work that could not have been foreseen prior to construction and must relate to eligible DHCD HQS deficiencies. The amount of the change order should be supported by predetermined unit prices or be negotiated with the contractor.

It should be noted that a program which approves a lot of change orders will generally receive continual requests for additional ones since contractors build in a higher profit margin for change orders than for bid work items.

❋ **All change orders must be signed and dated by the contractor, homeowner, Rehabilitation Specialist, Program Administrator, Regional Administrator and DHCD prior to work authorization.**

Any change order must receive DHCD's prior written approval regardless of the amount or funding source.

If the change order increases the construction contract amount over $50,000, a Contractor's Disclosure Report must be obtained unless already on file.

Change orders are reflected in CAMS with the final remittance.

Inspections

During the course of the project, the Rehabilitation Specialist is expected to

document inspections at least weekly. These may include but not be limited to:

- Progress inspections;
- Payment inspections;
- Complaint inspections;
- Change order inspections;
- Lead-Based Paint inspections;
- Final HQS inspection; and
- Punch list.

Every program is **REQUIRED** to have an ongoing and thorough quality control inspection program. Inspections **must** be conducted at least weekly and at critical times in the construction process (e.g. electrical and plumbing rough in). At the beginning of a project, independent DHCD HQS inspections must be conducted by the Rehab Specialist and by the Regional Administrator. **Each must sign, date and place in the project file their inspection forms which include the Section 8 Inspection Checklist and the one page DHCD Supplemental Checklist (one for pre-rehab and a separate supplement for post-rehab evaluation).**

In cases where the Regional Administrator and the Rehabilitation Specialist are from the same agency, the Regional Administrator must ensure **independent** construction management or progress payment inspections. Inspections may be done by the Rehab Specialist, the local Building Official, or the Regional Administrator depending upon the type of work, the timing, and amount of coordination required among the three.

Initial Inspections

Once the homeowner's application has been approved, the initial inspections must to be scheduled.

✱ **The purpose of the initial inspection is to determine deficiencies in the property, which do not meet the DHCD HQS. Both the Regional Administrator and the Rehabilitation Specialist are required to do independent initial inspections, using the *DHCD HQS Inspection Checklist and Certification*, which is found in Attachment 3. The Rehabilitation Specialist not only determines what needs to be repaired, but should, by taking notes and measurements, gather enough information to enable him or her to write specifications for the repairs and prepare a cost estimate. In addition, a floor plan of rooms where any work is to be done must be produced.**

Program staff should make a preliminary inspection before approval for the purpose of property eligibility and cost feasibility determination. Such an inspection does not serve the purpose of what is referred to here as the "initial inspection."

Conducting the DHCD HQS Inspection

The Rehabilitation Specialist should introduce him or herself to the property owner, explaining the need for an intensive inspection of all parts of the property and for an interview with the occupants. During this interview, the

Rehabilitation Specialist should ask what repairs or improvements the occupant feels need to be made, reminding the homeowner first that the program covers only safety issues and not aesthetics. Special attention should be given to electric and plumbing problems. Questions about blown fuses and plumbing backups should be asked specifically. The Rehabilitation Specialist should ask about winter heat bills to determine if special attention should be given to weatherization. At the close of the interview, the Rehabilitation Specialist should ask that the occupant remain available for further questions.

Using the DHCD HQS checklist, the Rehabilitation Specialist should systematically go through the house room by room. Floors, ceiling, walls, windows, and outlets should be checked in all living areas. The attic, roof, and crawlspace must also be a part of the HQS inspection.

All housing components must be compared against the DHCD HQS. See Attachment 3 for a copy.

Lead-Based Paint (LBP)

Part of the inspection includes noting any interior or exterior failing paint condition. For the purposes of this program, failing paint includes:

- Paint that is peeling, chipping, pitting or otherwise unstable;
- Finishes on friction and impact surfaces that rub, bind, or crush;
- Finished horizontal surfaces known to have been chewed by a child under the age of 6; and,
- Bare soil onto which deteriorated paint might have fallen.

If no failing paint condition is noted, and no work will be conducted that will disturb more than two (2) square feet of a painted surface, this is documented and no further lead requirements apply.

If a failing paint condition is noted, and the house was built prior to 1978, the Rehabilitation Specialist and the Regional Administrator must presume that the failing paint is lead paint. This triggers certain requirements:

- The work write up must incorporate “Interim Controls” and must meet certain lead related reporting requirements as per the terms of the Risk Assessor License;
- The contractor awarded this job must be an EPA Certified Renovation firm and have an EPA certified renovator assigned to the project who can train the crew in Lead Safe Work Practices;
- The area(s) in which potentially lead-disturbing work occurred must be thoroughly cleaned; and,
- At the completion of the work, the Risk Assessor must complete appropriate clearance testing, and the testing reveal that lead, if present, is within acceptable limits. If not, the area(s) must be cleaned again and additional samples taken.

See Attachment 31 for more details about lead-based paint.

✱ **To find out if a Risk Assessor has a DPOR license, call 804-367-8511 or go to www.dpor.virginia.gov and click on "License Lookup."**

☑ DHCD strongly recommends that the Regional Administrator, the Rehab Specialist, the Risk Assessor, and the contractor not receive final payment for a unit until the report from the Lead Clearance Test is back and the household has moved back into their home.

☑ It is also a good practice to have parents get children six and under tested for lead before rehabilitation to prove the construction work did not harm any children in the household.

☑ When assisting Spanish-speaking beneficiaries, refer them to the U.S. EPA Spanish website at www.EPA.gov/Espanol. It contains Spanish language material on lead poisoning prevention.

Asbestos and Asbestos Abatement

There will be a $500 cap for the initial asbestos inspection fee. IPR Regional Administrators may receive up to $500 in a lump sum amount to have a certified asbestos inspector inspect houses for purposes of major rehabilitation or demolition if substantial reconstruction is involved. Asbestos inspections for rehabilitation are not required by DHCD but are recommended if extensive work on the rehabilitation of a house is to occur. If a house is to be demolished, an asbestos inspection is required by DHCD.

There will be a **$200 cap for lab tests**. If an asbestos inspection reveals that there are areas where construction is going to occur that appear to include asbestos materials, those need to be tested. The laboratory costs to have the samples analyzed and reported will be reimbursable up to $200. Because this is a reimbursable expense, actual receipts and results of said tests will be required to document the reimbursement. The company chosen to conduct the analyses will need to be procured in accordance with the Virginia Procurement Act. Should the laboratory costs exceed the $200 cap, those additional costs must be covered by the initial inspection fee or other non-DHCD funds.

There will be an allowance of **$100 for the work write-up**. Should the inspection and subsequent lab tests confirm the presence of asbestos, the IPR Regional Administrator must include those results in the work write-up. This will include denoting the type, location and approximate amount of asbestos present that is to be disturbed by the proposed construction. It is up to the contractor to determine how to comply with state and federal law relative to safe work practices and disposal of the asbestos in question based on the information provided.

If no asbestos is found, that should be noted in the work write-up but that would not qualify the IPR Regional Administrator to qualify for this $100 payment. In such cases, the statement must be included in the write-up advising the contractor that he is responsible for compliance with all state and federal laws related to asbestos even though the inspection revealed none to be present.

For those houses not receiving an asbestos inspection, a statement must be included in the write-up to the effect that the Regional Administrator does not know whether the dwelling contains asbestos containing materials nevertheless the contractor is responsible for compliance with all state and federal regulations related to asbestos.

If the asbestos inspector is an employee of an IPR Regional Administrator, all IPR funds used to pay for the asbestos costs noted must be paid to the IPR Regional Administrator, not to the individual inspector.

It is ultimately the responsibility of the contractor to know whether he/she can perform construction activities on structures containing asbestos and if so, how to handle the materials in an environmentally safe manner. The asbestos regulations fall under the enforcement of the following agencies. Please consult their websites for further guidance:

- *Virginia Department of Environmental Quality* (DEQ) – Information on the regulation of landfills in Virginia and the disposal of asbestos in Virginia landfills – www.deq.virginia.gov

- *Virginia Department of Professional and Occupational Regulation* (DPOR) – Information on asbestos contractors and accredited asbestos training providers – www.dpor.virginia.gov

- *Virginia Department of Labor and Industry* (DOLI) – Information on enforcement of the Virginia Occupational Safety and Health (VOSH) regulations, enforcement of the Environmental Protection Agency's National Emission Standards for Hazardous Air Pollutants (NESHAPS), and enforcement of the Asbestos Notification regulations found in the Labor Laws of Virginia – www.doli.virginia.gov

Supplemental Inspections

The following supplemental inspections require documentation before work on the unit is bid out:

- A termite and infestation inspections by a licensed inspector; to determine if underlying structural damage may exist;

- An electrical inspection by a certified electrical inspector;

- A chimney inspection; and

- A pre-construction blower door test at the beginning of the project to draft recommended weatherization specifications to be included in the bid specs, in addition to providing a target air exchange rate. Blower door tests are not required on houses scheduled for demolition.

The following supplemental inspections are required during the course of construction:

- Building Code Inspection at appropriate times;
- A payment inspection by the Rehab Specialist before contractor payment requests are approved;
- When a written complaint by a homeowner is received; and
- When a change order is initiated.

Progress Inspections

Visits to the construction site occur on a set schedule and when critical construction elements must be approved before the project can proceed.

☑ At these inspections, the Rehabilitation Specialist should document whether or not Lead Safe Work Practices were observed.

Payment Inspections

The Rehabilitation Specialist must base his or her approval of contractor invoices on a documented payment inspection. These inspections should be made promptly so as not to delay the processing of the contractor's payment. The report should reflect the type of payment procedures adopted by the program, usually 50%, 95% and 100%. A predetermined percentage of completion procedure would merely require a Summary of Work Completed and the inspector's certification that the completed work has met or exceeded that percentage. A payment for actual work accomplished not tied to a percentage would necessitate a detailed listing with cost figures of all work to be included in the payment and possibly invoices.

All projects are to be closed within 120 days after Project Set-Up, no exceptions.

Complaint Inspections

In the event that a complaint is received from the homeowner regarding the work of the contractor, the Rehabilitation Specialist must inspect the validity of the complaint and document his or her determination.

LBP Inspections

At the completion of "interim controls" or before the homeowners return to their home, the Risk Assessor must complete a clearance examination. A written Clearance Report and the Lead Hazard Reduction Activity Notice must be submitted to the Regional Administrator and the beneficiary within fifteen (15) days of the Clearance Examination.

Final DHCD HQS Inspection

When work is nearing completion, the contractor should notify the Rehabilitation Specialist of the date when the property will be ready for final inspection. Both the Regional Administrator and the Rehabilitation Specialist are required to document final DHCD HQS inspections. They should proceed through the house with the work write-up in the same deliberate manner in which the initial inspection was made, ascertaining that each work item has been totally completed to his or her satisfaction.

☑ The Regional Administrator and the Rehabilitation Specialist can use their initial HQS inspection form, using a second ink color in the last column of each page to show that failing items are

now passing inspection. The inspection form is to be signed, dated and placed in the client rehabilitation file.

✱ **The Rehabilitation Specialist should also verify that the homeowner has received all warranties and instruction booklets for installed equipment and appliances.**

Prior to the final payment, the Rehab Specialist and/or the Regional Administrator must ensure that the following procedures **are completed and all necessary documentation is in the project file.**

- Punch list inspection and completion of punch list items;
- A complete review of all work items by Rehab Specialist, Regional Administrator and Homeowner with photocopies retained in the project file;
- A post blower door test;
- The final signed and dated DHCD HQS inspection form(s) from the Rehab Specialist and the Regional Administrator indicating an inspection status of "passed";
- Copies of any issued permits;
- Building Code Inspection Reports;
- Lead-based Paint Clearance Reports;
- Presentation and explanation of all warranties to the homeowner (with photocopies in the client file); and
- Presentation of a final construction invoice, release of liens, and *Register of Contractors, Subcontractors and Suppliers (See Attachment 11)*.

Role of Local Building Code Official

The local building official must inspect all relevant rehabilitation work e.g., electrical, plumbing, mechanical, and structural.

✱ **It is required that electrical upgrades be inspected by a certified electrical inspector.**

The Rehabilitation Specialist should consult with the local building inspector before doing any work to assure that the local official understands the scope and objectives of the program. The local building inspector should be viewed as a resource to the program.

☎ Any problems encountered with local building officials should be brought to the attention of your Community Development Specialist. DHCD's Division of Building Regulation is aware of the objectives of the IPR program and is willing to mediate any misunderstanding with local building code officials.

Certification of Final Completion and Acceptance

The Rehabilitation Specialist should submit a *Certification of Final Completion and Acceptance* to the Regional Administrator. Either the Rehabilitation Specialist or Regional Administrator must visit the homeowner and obtain a signed certification of final acceptance.

Final Payment

Before authorizing final payment to the Contractor, the Regional Administrator must obtain the following paperwork from the contractor and/or Rehab Specialist:

- Signed and dated Final DHCD HQS Inspection form with the house marked as "PASS" meaning all deficiencies have been cured;
- Final Blower Door Test Report;
- Exterminator Inspection and Treatment Reports;
- Electrical Inspection Report;
- Affidavit of Release of Liens
- Affidavit of Payment of Debts and Claims;
- Register of Contractors, Subcontractors and Suppliers as found in Attachment 11;
- Chimney Inspection Report, if applicable;
- Building and/or Health Permits, if applicable;
- Building Code Inspection Report per USBC, if applicable; and
- Certificate of Occupancy, if applicable.

Program Complaints

The Program must have written procedures for dealing with applicant, homeowner and contractor complaints. In so doing, the following policies must be a part of the complaint process:

- Persons whose applications are denied by the Rehab Board must be notified in writing that they have sixty (60) days from receipt of the notice to appeal the decision to the Rehab Board and Board of Directors;
- All other complaints must be submitted in writing to the Regional Administrator. The Regional Administrator will investigate the complaint and respond to it in writing;
- The person making a complaint or an appeal must be notified, in writing, of the Regional Administrator's decision with an explanation of reasons and the right of appeal to the Rehab Board whose decision, in turn, may be appealed to the Board of Directors. Appeals involving contractor disputes may employ local building code review committees to resolve said disputes;
- All appeals must be resolved in a timely manner. All written appeals must be addressed within 15 days of the appeal and resolved within 30 days of the appeal and retained for review; and
- DHCD recommends that verbal complaints be speedily and

objectively investigated in order to prevent time consuming written complaints later.

DHCD has found that there is almost always some validity to every complaint, although the facts may not always correspond to the whole of the complaint. Usually, complaints can be resolved or minimized by timely communication among all parties, and a positive approach to identifying and resolving the real problem. Defensiveness and non-communication compounds a complaint into a time-consuming problem for your program and DHCD.

DHCD will not investigate a complaint unless it is in writing, and has been thoroughly addressed through the Regional Administrator's written complaint process.

Temporary Relocation

Temporary relocation as part of rehabilitation due to a presumption of the presence of lead-based paint (LBP) and use of interim controls is mandatory except in the following circumstances:

- All household members are 62 years or older;
- All interior work will be completed in an eight-hour period;
- All interior work will be completed in five (5) consecutive days and the bedroom(s), bathroom, and kitchen can be isolated from the rehabilitation work; or
- Only exterior work will be done.

☑ Before any beneficiary is temporarily relocated, a written agreement should be signed between the beneficiary and the Regional Administrator. This agreement must outline the period of time the beneficiary will be relocated, what expenses will be paid by the Regional Administrator, the cost limits for each type of expense, who is responsible for identifying where the beneficiary's possessions will be stored during the relocation, and who is responsible for placing the possessions in said storage, being mindful of security of stored items.

☑ DHCD encourages Regional Administrators to identify creative ways to reduce temporary relocation costs. This may include encouraging households to live temporarily with family and friends or the staggered use of vacant or substantial reconstruction units as temporary dwellings for households. Likewise, Regional Administrators might purchase a moveable storage unit that can be placed on site to hold the household's belongings.

Recordkeeping

Housing projects require extensive documentation. The Regional Administrator must maintain a separate client file for each household assisted.

Regional Administrators must maintain records available to the public that indicate rating criteria and justification for assistance for all applicants.

All application and verification information, especially social security numbers, must be kept confidential. Please only collect the last four digits of the applicant's SSN. This is acceptable.

For all projects, applicants and beneficiaries must be tracked by income, race and ethnicity as categorized by HUD, as well as by owner-occupied or tenant status, female-head of household (occupied by one or more children under the age of 18), elderly household (62 years of age or older), and disabled household.

Regional Administrators must set up a file for each household that receives housing rehabilitation assistance. At a minimum, the client file must contain all of the information outlined in Attachment 23, Rehab File Checklist.

☑ For each household, set up a three-ring binder with a tab for each of the numbered items in the Rehab File Checklist.

In addition, Regional Administrators must track housing construction contracts awarded by contract value, number of houses awarded, and business names for purposes of reporting on minority contractors, for Section 3 contractors and for low bidders.

☎ Call your DHCD Community Development Specialist for a sample tracking form.

All project files must be maintained for at least five (5) years after the Project Completion Report is submitted and accepted in CAMS.

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CHAPTER 7: EVERYTHING FINANCIAL

Regional Administrators must possess the capacity to effectively and correctly manage IPR funds. This capacity must be reflected in the PMP and demonstrable during DHCD's site visits and compliance reviews. Note that DHCD holds Regional Administrators legally liable for expenditure of IPR funds according to Audit Requirements for non-profit organizations as stated in DHCD's contract, and HOME regulations.

All Regional Administrators are required to comply with Generally Accepted Accounting Principles (GAAP). An accounting system must be established to sufficiently and accurately record and report transactions. Supporting documents can be copies, carbons, or original but must contain sufficient detail to support the transaction and to justify it as an allowable IPR expense. Supporting documents must be approved and dated and contain the name of the client the expense relates to in the record. The following source documents must be maintained:

- Purchase Orders and Requisitions;
- Invoices and Payment Vouchers;
- Deposit Receipts;
- Receipts for Cash Expenditures;
- Contracts;
- Travel Advance Requests and Travel Reimbursement Vouchers;
- Bank Statements; and
- Cancelled Checks.

A spreadsheet must be maintained to track receipts and expenditures per client to document that all funds drawn were expended on eligible activities. Accounting records must have a copy of the documentation supporting the transaction in the client file and the accounting system must identify payments by client.

Rollover Funds

Rollover funds have been provided so immediate payments can be made to construction contractors. By having this cash on hand, Regional Administrators can quickly pay construction contractors. **No contractor should have to wait several weeks for the remittance request of IPR funds to be processed**. The IPR Agreement will reference the amount of Rollover the Regional Administrator should have on hand at the onset of the program year, usually $40,000.

Rollover funds are to be kept in a separate interest bearing account. Funds expended out of the Rollover account are to be replaced out of regular IPR remittance requests. After the initial rollover amount has been expended and replaced, the rollover funds should be kept on hand for each successive year that the IPR program is administered by the Regional Administrator.

Rollover funds may be used to pay for construction and administrative activities in accordance with the Regional Administrator's IPR Budget and Program Management Plan.

Rollover funds are replenished with each remittance. When contractor payments are made from the Regional Administrator's rollover fund account, then the account must be replenished. If contractor payments are made directly from the funds received from DHCD, then the rollover fund account does not need to be replenished.

In no instance should rollover funds remain in an interest bearing account unused. Rollover funds must be returned to DHCD if they are not going to be used. DHCD reserves the right to "call in" all or part of the rollover funds if they are not used routinely or correctly.

❋ Regional Administrators must track and be able to identify their rollover funds at all times.

Obligation of Funds

After the Regional Administrator's contract with DHCD is executed, the Regional Administrator must adhere to the following procedures:

1. Funds are obligated in accordance with the initial or current status of the approved IPR Budget.

2. The work is bid and approved according to the Program Management Plan.

3. A Project Set-Up Report form *(See Attachment 9)*, along with supportive documentation, is submitted thru CAMS: the total funds requested must be based upon the lowest, responsive, responsible bid(s). Contingency funds may not be included in the total project costs.

4. A Deed of Trust and Deed of Trust Note are executed immediately after the approval of the set-up. After the Notice of Right to Cancel *(See Attachment 19)* period has expired (3 days) the construction contract should be signed.

Construction Cost Limits

The cost limits for rehabilitation and for substantial reconstruction assume that the unit to be assisted is a 2-bedroom unit *(See Attachment 35).* If the unit to be rehabilitated or the unit at the completion of the substantial reconstruction contains more than 2 bedrooms, the exception rules may apply.

Because of the need to maximize production and limit costs, leveraging other funds is **strongly encouraged,** especially through participation of the property owner.

Regional Administrators may use a base cost of up to $25,000 to rehabilitate houses, not including mobile homes, to DHCD HQS and up to $85,000 to substantially reconstruct housing units determined to be unsuitable for rehabilitation. Under certain circumstances, DHCD will allow a base cost of up to $50,000 for a single rehabilitation. These circumstances are:

- The Regional Administrator tests for the presence of lead-based paint, as outlined in the lead related regulations, and all tested surfaces in a unit reveal no lead; or

- The Regional Administrator has at least four (4) licensed lead abatement contractors who are qualified to bid on the job in question; or

- The unit was constructed after 1978.

✱ **To find out if a lead abatement contractor has a DPOR license, call 804-367-8511 or go to www.dpor.virginia.gov and click on "License Lookup. Click on "Asbestos, Lead and Home" for the LBP abatement training schedule.**

Exceptions

Exceptions allow the Regional Administrator to commit funds, beyond the base construction cost, to the completion of the project. The following activities are considered exceptions:

- Construction of a bathroom when rehabilitating a unit that lacks one;

- Installation of a well and/or septic system and associated costs (Well-water test, Septic – Authorized Onsite Soil Evaluator (AOSE), Survey, Engineer, Alternative Septic Systems, Water/Sewer Connections) IPR funds may not be used to install "pump and haul" systems. Wells must be drilled, well water laboratory tested and approved. Approval shall be in writing from the local Health Department and/or accredited laboratory. Payment will be made for only one (1) well, regardless of the number of wells drilled. Shared wells or septic systems are not permitted unless approved by DHCD;

- Houses that require alternative septic systems are eligible for an additional $10,000 in exceptions (for additional costs for the design and installation of an alternative septic system);

- Provision of ramps and other accessibility features;

- Provision of one or more additional bedrooms to relieve an overcrowded situation in which more than two (2) bedrooms are necessary or other changes to a unit's footprint;

- Actual laboratory costs for evaluation of lead tests; and

- Housing rehabilitation flood proofing solutions. Flood proofing solutions are defined to include house elevations; the elevation and relocation of utilities; the addition of basement sump pumps with backup generators; the reinforcement of basement doors and dry flood proofing methods as appropriate with the building code.

✱ **All exceptions must be listed as alternates on the bid form, but they must be contracted out separately from the base construction costs in rehabilitation**

projects. Failure to do so may result in the ineligibility of the entire project.

Administrative Cost Limits

Administrative costs are limited up to $7,000, not exceeding the limits found in Attachment 35: 2018 Rehabilitation Cost Limits. Administrative activities include but are not limited to: outreach and intake, income eligibility verification, coordination of all consultants, project compliance and staff time for delivery of Home Maintenance Education Program activities.

Construction-Related Soft Costs (CRSC).

CRSC include fees for rehab specialists, blower door tests and lead clearance testing. Additionally, crucial non-housing activities or non-construction housing support activities that will clearly complement the housing improvements taking place. IPR participation in these activities shall not exceed $4,000 per house.

Demolition Cost Limits

Demolition costs are only allowed on substantial reconstruction projects. They are "stand alone" costs that must be contracted out separately from the construction contract. Activities related to asbestos abatement and/or disposal is eligible from the demolition category.

DHCD expects demolition costs to be reasonable. DHCD reserves the right to cap or cut costs, if necessary.

Temporary Relocation Cost Limits

IPR funds may be used to cover eligible temporary relocation costs up to $2,000 per unit. Eligible temporary relocation expenses include motel and storage costs but not expenses incurred by family members with whom beneficiaries are staying. The Regional Administrator needs prior approval from DHCD to exceed the $2,000 cap.

Relocation costs must **not** be paid directly to the beneficiary. For more information on Temporary Relocation see Chapter 6: Construction.

Home Maintenance Education Program (HMEP) Cost Limits

Once the HMEP is incorporated into the local Program Management Plan, up to 1% of the base construction costs per unit, not to exceed $250, is allowed. HMEP costs must be based on actual documented costs and must be requested with the final remittance for the unit. These costs are not intended to cover staff or Rehabilitation Specialist time for delivering training. Rather, they are intended to cover items such as printed materials (but not copying), cleaning and tool kits. Documentation of training is required. As a "best practice" this should be customized to suit the needs of the homeowner.

Mobile Home Cost Limits

Mobile homes may be rehabilitated provided the cost of rehabilitation will not exceed $10,000 plus $10,000 for water and wastewater installation. No other exceptions apply.

These cost limits are not applicable to a double-wide or equivalent with a continuous foundation on footers, which for these purposes only, are considered a permanent home.

☎ Call your DHCD Community Development Specialist if the mobile home was once a single-wide, but has had a permanent structure attached to it and is on a continuous foundation. DHCD must be consulted to determine the eligibility of this property for participation in the program.

The $10,000 Rule

Any house rehabilitated for a construction cost of $10,000 or less will not require lien documents to be executed by the beneficiary family. **The funding will be considered a grant.** All other program guidelines apply. The transaction will be governed by the construction contract which binds the beneficiary to, among other things:

- Maintain the structure to DHCD Housing Quality Standards for a period of ten (10) years; and

- Purchase and maintain hazard or homeowner's insurance coverage, either fire only or an extended coverage. The homeowner must supply the Regional Administrator with proof of the insurance coverage annually for ten (10) years.

Lacking a Bathroom

Any unit lacking a bathroom will receive a $20,000 grant and the remaining construction costs as a loan based on the household Ability -to-Pay. The Deed of Trust and Note will reflect $20,000 less than the actual construction costs.

Paying Contractors

Paying contractors in a timely manner is critical to a rehab program. A Regional Administrator's financial management system should be able to pay contractors within five (5) working days of receipt of a request for payment.

Contractor payment requests must be approved by the Rehab Specialist and the Program Administrator. If they are the same person, then an independent inspector must approve all construction invoices in addition to the Rehab Specialist.

At the beginning of a 60-day construction contract period, 50% of the amount of the construction contract, administration funds, construction-related soft costs, and demolition contract amount when applicable should be requested from DHCD if the project will follow the typical timeframe. Under no circumstances should funds received by Regional Administrator, from DHCD, be held in Regional Administrator's account for **more than 15 days**. Contractors may not be paid any funds until at least 25% of the work is completed, inspected, and accepted. Contractors may be paid for the first 50% of the work after the Rehab Specialist has inspected and accepted the work.

Every remittance request must include the client name, Project Set-up number, amount to be paid out for construction costs, construction-related soft costs and (if applicable) the amount to be paid out for administrative costs and other stand-alone costs. Actual invoices or a cover memo must be attached to the

remittance request as support documentation.

After payment of 50% of the construction contract amount, the Regional Administrator should request 45% of the balance due from DHCD if the project will follow the typical timeframe. Under no circumstances should funds be held in Regional Administrator's account **more than 15 days**.

The third remittance is to be for the remaining 5% (actual costs) of construction and all change orders, the remaining 50% of administration funds, demolition construction amount, and construction-related soft costs, all home maintenance education expenses and, if applicable, temporary relocation and direct legal expenses. Requests for HMEP costs are to be accompanied with copies of the invoices. The remaining 5% of construction funds should be held until the contractor has completed all punch list items, the Rehab Specialist, the Regional Administrator and the homeowner have inspected and accepted the improvements, the house has passed the final inspections by the local building official and all warranties, lien waivers, registers and related documents are received.

✱ **If it is found that funds have been overdrawn on a project, DHCD reserves the right to charge a penalty of 10% of the administration fee.**

Typical Rehab Payment Timeframe

Below is an example of how a Regional Administrator may time the request, receipt and disbursement of a 60-day rehab contract:

Day 1: DHCD approves the Project Set-up Report and confirms Set-up via CAMS. Regional Administrator executes rehab contract and notice to proceed (with start date and completion date) and construction begins on house.

Day 29: Request for IPR funds submitted to DHCD for first-half of rehab contract, Regional Administrator's costs and Rehab Specialist's costs.

Day 36: Invoice received by Regional Administrator from contractor for first-half of work and it is approved by the Regional Administrator and the Rehab Specialist based on inspections of work complete to-date.

Day 37: Approved invoice submitted to the financial person for payment. Check is written to the contractor for the first half of the work. If requested funds have not been received by Regional Administrator as scheduled, the contractor is paid from the Rollover funds. Rollover funds are reimbursed as soon as the Regional Administrator receives the requested funds.

Day 38: Request for IPR funds submitted to DHCD for second-half of rehab contract.

Day 60: Work on the house is completed or a time extension change order has been reviewed and approved by DHCD.

Day 66: Second-half (final) funds received by Regional Administrator.

Day 68: Invoice received from rehab contractor by Regional Administrator for second-half of rehab work.

Day 69: Invoice from rehab contractor for second half of work approved by Rehab Specialist, Regional Administrator, and homeowner. Five percent retainage should be held until all punch list items are completed and accepted by the Rehab Specialist, Regional Administrator, and homeowner, and the house has passed the final inspection by the local building official. The final invoice should also cover all change orders, the remaining 50% of administration funds, demolition construction amount, and construction-related soft costs, all home maintenance education expenses and, if applicable, temporary relocation and direct legal expenses.

Day 70: Approved invoice submitted to the financial person for payment. Check written to rehab contractor. If requested funds have not been received by Regional Administrator as scheduled, the contractor is paid from Rollover funds. Rollover funds are reimbursed as soon as the Regional Administrator receives the funds.

Day 71: Financial person and Regional Administrator verify the amount of funds received from DHCD and expended for eligible activities and return any overdrawn funds to DHCD with the Completion Report Form *(See Attachment 10)*.

Requesting Funds from DHCD

A Certification of Signatures and Addresses *(See Attachment 14)* form must be uploaded into CAMS with the contract documents and approved by DHCD. Regional Administrator rollover funds or any other remittance requests will not be made available until after the effective date of the Contract, and only after receipt of an acceptable Certification of Signatures and Address form.

Payments to Regional Administrators will be made by the *Treasurer of Virginia* upon receipt of a remittance request approved and processed by DHCD's Project Administration and Assistance Office.

Only individuals duly certified by the Regional Administrator as authorized to request funds will be allowed to submit the remittance request. These cannot be the same individuals who sign the

Regional Administrator's checks unless prior approval is obtained from DHCD. Likewise, payments will be sent only to the account certified by the Regional Administrator. At least two persons must be authorized on the Certification of Signatures form.

Payments will be made by the Treasurer of Virginia on receipt of a remittance request submitted via CAMS and approved and processed by DHCD.

✱ **A W-9 form must be completed by each organization if it is not already on file with DHCD *(See Attachment 15)*.**

DHCD recommends allowing at least 21 days after submitting for receipt of payment from DHCD. The 21 days includes approval and processing by the DHCD Project Administration and Assistance Office, DHCD Accounting Office, the Virginia Department of Accounts and the Treasury of Virginia.

Every remittance request must include the client name, Project Set-up number, and an itemized list of the amount(s) to be paid out for each cost element being requested along with a supporting invoice or in case of forecasting, a cover memo listing who the payee will be and for what line item.

Program Income

Program income is defined as funds that are earned or received as a result of expenditure of IPR funds. Program income includes loan payments, loan payoffs, and all interest earned on Program Income and Rollover funds. All Regional Administrators must submit a Program Income Plan for DHCD's approval. Program income must be tracked by the amounts due and received monthly by client's name, separated by active/inactive status, contract number and locality name. There must also be a record of the program income expended annually including: the beneficiary data and verified eligibility, cost elements of the expenditure and documented board approval.

Active Program Income

During an active grant contract period, program income earned from projects started that period must be used prior to requesting additional funds when the amount reaches $1,000. When the amount reaches $1,000, the next remittance request must be reduced by the entire amount of program income received to date or the program income must be returned to DHCD.

Inactive Program Income

Inactive Program Income is revenue earned as a result of projects in a Program Year other than the one in which it was funded. Common sources include loan payments received, payoffs on houses and interest earned on the Rollover and the Inactive Program Income account. Regional Administrators must have a Program Income Plan that sets forth how active and Inactive Program Income will be expended *(See Attachment 2).* At the time inactive program income is expended, ten percent of it may be used for administrative purposes, including loan servicing. Loan servicing fees must be reasonable and customary (i.e. $10 per month per payment collected)

CHAPTER 8: FEDERAL REQUIREMENTS

NEPA Requirements

The environmental effects of each activity carried out in the IPR Program will be assessed in accordance with the selected provisions of the National Environmental Policy Act of 1969 (NEPA) and the related authorities listing in HUD's implementing regulations at 24CFR58.5 and 24CFR58.6.

DHCD will certify that it has complied with NEPA and prepare a Categorical Exclusion/Exempt Certification. Since all of the activities in the IPR program are for the rehabilitation of existing, single-family, owner-occupied structures, DHCD will aggregate this similar group of activities into one project for environmental review purposes. This means that the IPR Programs will be defined as one project with one Environmental Review Record for the state.

For environmental review purposes, the activities undertaken in the IPR Program will be determined Categorically Excluded subject to the National Environmental Policy Act (NEPA) requirements. The Regional Administrator must complete, sign and date the Statutory Checklist for each property and comply with whatever mitigation is deemed necessary. The Statutory Checklist and all attachments must be submitted to DHCD along with the Project Set-Up. *(See Attachment 28)*

ALL houses assisted through the IPR Program shall be documented on the Department of Historic Resources (DHR) "Project Review Form" or any updated online system generated by DHR with appropriate responses to move forward with the project. *(See Attachment 28)*

If a project receiving IPR funding is located in a floodplain and/or coastal zone, appropriate mitigating measures must be taken. For structures, flood insurance is required and MUST be maintained by the homeowner so long as the structure remains.

Fair Housing Requirements

A Regional Administrator must take one action in the areas of enforcement and/or promotion of activities that affirmatively further fair housing for each contract year. A different action/activity must be conducted for each succeeding contract year. The Program Administrator should be assigned responsibility for ensuring that such action is taken.

At least one of the following actions (additional actions may be approved by DHCD) must be selected, completed, and documented during the contract year.

- Adopt a resolution endorsing the concept of fair housing and advertise through the local media;
- Attendance by a member of the Regional Administrator's governing body or chief administrative official and a second appropriate representative (Realtor, banker,

etc.) at a fair housing workshop approved by DHCD;

- Provide all program beneficiaries with a copy of DHCD's fair housing brochure;

- Enlist the participation of local realtors, lenders and homebuilders in an agreement and promotion of affirmative marketing, open housing and review of underwriting /credit criteria, etc. Publish such agreements in a local paper;

- Conduct public educational programs for local housing consumers, providers, and/or financial institutions, regarding fair housing issues;

- Develop a public information program using local newspapers, radio stations, bulletin board, churches, utility bill mailings, to insure that all segments of the community are aware of fair housing requirements, especially Realtors, landlords, financial institutions, and the minority community;

- Develop a fair housing assistance program to make housing opportunities available in non-minority areas; or

- Distribute copies of the fair housing brochures at local public events.

Equal Opportunity

Regional Administrators must adopt a Section 3 Business and Employment Plan *(See Attachment 29A)*.

The plan must require that prior to any contracting, major purchases or hiring, Regional Administrators will develop a list of jobs, supplies and contractors likely to be utilized during the contract period.

The Regional Administrator must place two notices. The first is a Section 3 Business and Employment Notice *(See Attachment 29)* which must be published in a local newspaper(s) (a newspaper which has a general circulation covering the entire region and which is considered the primary source for local news in every county and city within the coverage area). This advertisement must be placed prominently in the newspaper as a display ad and contain the information in the model notice. This is in addition to the advertisement for contractors discussed in Chapter 6.

The second is a Minority- and Female-Owned Business Notice which must be published as a legal notice in a regional paper (a two-county daily paper with a circulation of at least 15,000). This notice must contain the information in the Attachment 30 model.

The Regional Administrator must provide prospective bidders with a list of county or city residents and Section 3 and minority, and female-owned businesses who have responded to solicitations. This listing must be contained in the bid documents and must include the address and type of service, equipment and supplies that the business provides. The Regional Administrator must notify all persons who have responded to Section 3 Business and Employment and Minority and Female Owned Business solicitations

of the availability of employment and contracting opportunities and how to apply.

Lead-Based Paint

Following are the steps to be used in the rehabilitation of housing. Please note mandatory actions to be taken to avoid problems related to lead based paint. These are also addressed in Chapter 6:

1. Independent inspections of a unit are conducted by the Rehab Specialist and by the Program Administrator. Part of the inspection includes noting any interior or exterior failing paint condition. For the purposes of this program, failing paint includes:

    - Paint that is peeling, chipping, pitting or otherwise unstable;
    - Finishes on friction and impact surfaces that rub, bind, or crush;
    - Finished horizontal surfaces known to have been chewed by a child under the age of six; and
    - Bare soil onto which deteriorated paint might have fallen.

2. If no failing paint condition is noted, and no work will be conducted that will disturb more than two square feet of a painted surface, this is documented and no further lead requirements apply.

3. If a failing paint condition is noted, and the house was built prior to 1978, the Rehab Specialist and the Program Administrator must presume that the failing paint is lead based paint. This triggers certain requirements:

    - The work write up must incorporate interim controls or standard treatments and meet certain lead-related regulatory requirements;
    - The cost of the basic rehab work will not exceed the cost limits (see Chapter 6);
    - The contractor and crew awarded this job must be trained in Lead-Safe Work Practices and certified in EPA's Renovation, Repair and Painting program as a Certified Renovation firm and assign a Certified Renovator to the project. Examples of methods to work safe (though not all inclusive) include the use of plastic sheathing, protective clothing, working "wet" and occupant notifications, protection and temporary relocation;
    - The area(s) in which potentially lead-disturbing work occurred must be thoroughly cleaned by the contractor;
    - A Lead Hazard Reduction Notice must be provided to the occupants within 15 days of Clearance testing *(See Attachment 31)*;
    - At the completion of the work, the Risk Assessor must complete appropriate sampling (Clearance Test), and the sampling reveal that

lead, if present, is within acceptable limits. If not, the area(s) must be cleaned again and additional samples taken; and

- Temporary relocation will be required in most cases (see Temporary Relocation, Chapter 6).

4. If a rehab is slated for a house occupied by a child who is known to have an elevated blood lead level, the Regional Administrator must contact DHCD to determine appropriate steps.

Role of the Community Development Specialist

The DHCD Community Development Specialist is the Regional Administrator's main contact through the course of the contract. The Community Development Specialist has two responsibilities:

- Provide direct technical assistance to Regional Administrators in housing rehabilitation and compliance issues; and

- To conduct formal on-site compliance reviews of Regional Administrator records and work performed to assure adherence to all program requirements.

Technical Assistance

Technical assistance is provided at the request of the Regional Administrator or as needed by the Community Development Specialist. It may be performed on site, via postal service mail, email, telephone, or at scheduled, statewide training events. On-site technical assistance visits always include file reviews.

Compliance Reviews

Compliance reviews are conducted by Community Development Specialists on each Regional Administrator every year in which any funds have been expended. They are announced by a letter from the Program Administration and Assistance Management Office to the Director or Chief Administrator of the Regional Administrator. The letter will announce the date, time, and place of the review, and detail the information that will be reviewed.

Reviews are conducted at the Regional Administrator's office, and 25% of the rehabilitated houses or a minimum of three, as determined by the Community Development Specialist, are inspected.

At the time of the review, the Community Development Specialist will meet with the Regional Administrator Director, Program Administrator, and Financial Manager to discuss the process and identify the records to be reviewed. The Rehab Specialist should be present for housing inspections during a compliance review. The Community Development Specialist will need office space to work and access to all files, and will use a standardized set of checklists (which is available upon request). At the end of the Review, an Exit Interview is conducted with the Chief Administrator, Project Administrator and Financial Manager.

The Report

After the Review, a letter will be sent to the Regional Administrator that contains:

1. An assessment of the program management; and

2. Any findings, concerns, or recommendations about the program implementation.

    a. Finding is a statement of fact that the program is not operating according to the contract, this manual, and the Program Management Plan. A finding stipulates what has occurred, why it is not in compliance, and what must be done to bring the program into compliance.

    b. If an action will result in noncompliance, if not corrected, a concern will be noted to request the implementation of corrective action. If corrective action is not taken, a finding will be made during a subsequent review.

    c. If the Community Development Specialist determines that there is not a finding or concern, but there is a need for improvement in the Regional Administrator's performance, a recommendation may be made.

    d. A response to a recommendation is not always required, but careful consideration should be given to the issues addressed.

3. Questioned costs about financial management: If the review indicates that funds may have been obligated or spent in a manner not in compliance with this manual or the IPR contract, the use of a portion or all affected funds can be questioned. The Regional Administrator will be asked to justify the propriety of all questioned costs. Costs which cannot be justified will be disallowed by DHCD and must be repaid by the Regional Administrator.

4. Corrective actions: The last section of the compliance review letter specifies what corrective action, if any, needs to be taken to resolve any findings or concerns. This section will also indicate how and by when a response to DHCD is required.

5. Unresolved Issues: Occasionally, there are outstanding issues that the Regional Administrator is committed to completing. We may ask that certification of completion is provided to DHCD.

The Response

If the compliance review letter requires a response, the Regional Administrator must provide documentation within thirty

(30) days that any findings or concerns have been resolved or addressed.

Any questioned costs must be resolved within thirty (30) days or the costs may be disallowed.

Audits

AUDITS – All GRANTEES that receive funding during a specific program year are required to submit one of the following financial documents: Financial Statement**, Reviewed Financial Statement prepared by an independent Certified Public Accountant (CPA), Audited Financial Statement prepared by an independent CPA or an OMB A-133 Audit (Single Audit) prepared by an independent CPA. Please see the table below to determine which document your organization is required to submit.

The threshold requirements outlined below are the *minimal* standards required by DHCD. We strongly encourage all organizations receiving funds from DHCD to undertake the highest level of financial management review to ensure practices and procedures are fully examined and evaluated.

Threshold Requirement	Document
Total annual expenditures ≤$100,000 – regardless of source	Financial Statement prepared by organizations**
Total annual expenditure between $100,001 and $300,000 – regardless of source	Reviewed Financial Statement prepared by an Independent Certified Public Accountant (CPA)
Total annual expenditures > $300,000 – regardless of source	Audited Financial Statement prepared by an Independent CPA
Federal expenditures > *$750,000.*	OMB A-133 Audit (Single Audit) prepared by an Independent CPA

**Does not require preparation by a CPA

Entities shall file the required financial document in the Centralized Application and Management System (CAMS) within nine (9) months after the end of their fiscal year or 30 (thirty) days after it has been accepted (Reviewed Financial Statement, Audited Financial Statement, and OMB A-133 Audit only) -whichever comes first.

The full DHCD Audit Policy, including an explanation of the specific document requirements, can be found online at: http://www.dhcd.virginia.gov/images/DHCD/DHCD_Audit_Policy.pdf.

Any returned IPR funding and/or Program Income MUST BE remitted by check, made payable to *"Treasurer of Virginia"* and identified on the check as "Returned Funds," along with the contract number and forwarded to DHCD, Community Development Division, Fiscal Analyst, 600 East Main Street, Suite 300, Richmond, Virginia 23219.

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