



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Laurel Prussing, Mayor, City of Urbana

FROM: Elizabeth H. Tyler, FAICP, Community Development Director

DATE: April 4, 2013

SUBJECT: A RESOLUTION AMENDING HOUSING REHABILITATION PROGRAM OPERATIONAL GUIDELINES AS ORIGINALLY AUTHORIZED BY RESOLUTION NO. 2010-04-010R

Description

Included on the agenda of the April 8, 2013 meeting of the Committee of the Whole is a modification to the current housing program manual in effect for the Consolidated Plan period Fiscal Year FY 2010-2014. The manual includes eligibility guidelines and processing procedures for the City's housing programs funded through the Community Development Block Grant (CDBG) Program, the HOME Investment Partnerships (HOME) Program, and other funding sources that the City may acquire, such as the Illinois Department of Public Health Get the Lead Out (GLO) Program, Tax Increment Funds (TIF), and funds from other participating financial institutions.

Currently, the Grant Deferred Loan option for City financing on Whole House Rehabilitation projects is restricted to those at or below 50 percent of the Median Family Income (MFI). Households between 51 and 80 percent MFI must seek private financing for half of the project costs, or \$12,500. The proposed amended guidelines would allow those within the higher income bracket to access City financing, reaching a broader base of residents. The amended guidelines would be effective for the remainder of the FY 2010-2014 Consolidated Plan term until a new program manual is drafted, in keeping with current procedures.

Proposed Modifications

The City currently lists a Grant/Deferred Loan (GDL) Program and a Grant/Installment Loan (GIL) Program in the Housing Program Manual. The GDL program is open only to those households with incomes at or below 50 percent of the MFI and allows the City to invest in the rehabilitation with a deferred loan in the amount of \$12,500, rather than require the homeowner to acquire private financing. As for those households between 50 and 80 percent MFI, these homeowners are required to contribute 50 percent of the project costs, or \$12,500 before the project can proceed. These limits have restricted the program to a great extent in that many homeowners at this income

level are unable to participate in program due to an inability to secure financing.

The current income limits result in an inability to complete a number of GIL projects, which limits both the effectiveness of the program and the rate at which grant funds can be expended. As a result, staff has reconsidered the implications of the policy in light of the need to commit funds in a timely manner, as well as in an effort to benefit residents in an equitable fashion. Staff is proposing to eliminate the GIL program guidelines, which would allow all low-income Urbana residents to access the GDL program. Any eligible household would be able to garner City financing in the form of a deferred loan, rather than seeking private financing.

The proposed modification would eliminate *Section 5.0 Grant/Installment Loans* and would modify *Section 4.0 Grant/Deferred Loans* to allow participants at or below 80 percent MFI. *Section 4.3 Eligibility Criteria* would be modified according to the underlined section proposed below:

For an application to qualify for a Grant/Deferred Loan, he/she must meet the following criteria:

- 1) The applicant must have owned and lived in the residence for one year prior to applying for assistance.
- 2) The applicant must be the person or persons in whose name title to the property is vested.
- 3) The applicant's anticipated household annual (gross) income shall not exceed 80 percent of the median family income for Champaign County as released by HUD.
- 4) The HUD Part 5 definition of annual (gross) income shall be the method used in calculating annual income.

At its March 26, 2013 regular meeting, the Urbana Community Development Commission forwarded the Resolution with a unanimous recommendation for approval. Please see the attached unapproved minutes for discussion pertaining to the proposed Resolution.

Options

1. Approve the Resolution approving the proposed Housing Program Manual 2010-2014.
2. Approve the Resolution with changes.
3. Do not approve the Resolution.

Fiscal Impacts

The manual does not in itself authorize expenditure of funds; rather the manual prescribes the manner in which funds received through CDBG, HOME, GLO, TIF and other participating financial institutions may be expended for housing programs administered by GMD staff. The proposed change would allow staff to expend HOME allocations received by HUD in a more timely and predictable manner and provide equitable assistance to all low-income homeowners in the Urbana community.

Recommendations

Staff and the Community Development Commission recommend approval of the Resolution.

Memorandum Prepared By:

Jen Gonzalez
Grants Coordinator
Grants Management Division

Attachments:

1. A RESOLUTION AMENDING HOUSING REHABILITATION PROGRAM OPERATIONAL GUIDELINES AS ORIGINALLY AUTHORIZED BY RESOLUTION NO. 2010-04-010R
2. Pages 14-29 of the Housing Program Manual.
3. *Unapproved minutes from the March 26, 2013 meeting of the Urbana Community Development Commission*

RESOLUTION NO. 2013-04-018R

**A RESOLUTION AMENDING HOUSING REHABILITATION PROGRAM
OPERATIONAL GUIDELINES AS ORIGINALLY AUTHORIZED
BY RESOLUTION NO. 2010-04-010R**

**CITY OF URBANA
HOUSING PROGRAM MANUAL
PROGRAM YEARS 2010-2014**

WHEREAS, on February 2, 1976, the City Council of the City of Urbana, Illinois, adopted operational guidelines for the implementation of housing rehabilitation programs funded through the Community Development Block Grant program; and

WHEREAS, said operational guidelines have been amended by the City Council from time to time thereafter; and

WHEREAS, the Community Development Commission and Grants Management Division of the City of Urbana have proposed modifications to the housing program guidelines entitled *Housing Program Manual 2010-2014*, which was previously approved by the Urbana City Council on April 19, 2010, for the purpose of broadening the targeted population of low income homeowners participating in the Housing Rehabilitation Program to benefit those households at or below 80 percent of the Median Family Income as defined by the Department of Housing and Urban Development; a copy of said housing program manual in substantially the form as written is attached hereto and incorporated herein by reference.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

That the Grants Management Division of the City of Urbana is hereby authorized and directed to proceed with the implementation of the housing program guidelines as amended in substantially the form of the attached *Housing Program Manual 2010-2014*, dated April 2013, which is hereby approved.

PASSED by the City Council this _____ day of _____,
_____.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____,
_____.

Laurel Lunt Prussing, Mayor

4.0 GRANT/DEFERRED LOANS

A Grant/Deferred Loan up to \$25,000 is made available to provide labor, materials, and supplies to repair deteriorating dwelling units for qualified applicants. Through the renovation, code violations and lead hazards on the premises must be eliminated. A lien is placed on the property to secure repayment of the deferred loan portion of the assistance.

Half of the program funds up to \$12,500 are provided by the City in the form of a grant.

Half of the program funds up to \$12,500 are provided by the City in the form of a no-interest deferred payment loan. No monthly, quarterly, or annual payments are required. The loan is due in full and payable to the City upon transfer of title of the property through sale or other means.

4.1 Eligible and Ineligible Activities

Eligible activities include general repairs which will bring the house into compliance with City codes while eliminating lead-based paint hazards. Eligible activities include but are not limited to the following:

- repair or replacement of defective mechanical systems, i.e., electrical, plumbing and heating
- repair or replacement of defective building components and surfaces, i.e., foundations, roofs, porches and stairways, floors, ceilings and walls, doors and windows, siding and trim
- energy conservation activities, i.e., insulation, caulking and weather-stripping, siding, doors, and windows
- lead-based paint hazard reduction
- accessibility for disabled persons
- incipient repairs and general property improvements of a non-luxury nature
- site improvements and utility connections
- construction of house additions but only if necessary to meet code and funding is available

Ineligible activities include:

- temporary improvements

- fixtures not permanently attached including appliances and window air conditioners
- fees for professional services of architects, engineers and other consultants
- construction or renovation of detached garages or out buildings

Priority is placed on renovation necessary to meet City code, elimination of lead-based paint hazards, exterior renovation, and lastly any eligible interior renovation.

4.2 General Terms and Conditions

- 1) An applicant may not apply for more than one type of whole-house rehabilitation assistance described in this manual at any given time. An applicant may, however, receive assistance through the other programs listed in the manual and then additional assistance through the Whole House Rehabilitation Program if the applicant is otherwise eligible to receive assistance through the program.
- 2) The applicant may not apply for rehabilitation assistance through the Grant/Deferred Loan Program if the property to be rehabilitated received whole house rehabilitation assistance from the Grants Management Division within ten years of the application date. The date of the Certificate of Occupancy of previously funded work shall be used to determine when the ten-year period begins.
- 3) A Grant/Deferred Loan shall not exceed \$25,000.
- 4) A Grant/Deferred Loan recipient shall not be required to pay for administrative expenses related to processing of the Grant/Deferred Loan application, such as title searches, appraisals, and recording fees.
- 5) A lien shall be placed against the property for the purpose of recovering a portion of the cost of rehabilitation. The lien amount shall be calculated as the full amount of the deferred loan portion of the assistance. The deferred loan portion of the assistance is due in full and payable to the City upon transfer of title of the property through sale or other means. The City will take a subordinate position in the mortgage placed against the property in favor of a first mortgage if appropriate.
- 6) Indebtedness secured by the property shall not exceed 100 percent of the after-rehabilitation value of the property as estimated by Grants Management Division. After Rehab Value is calculated by adding the current tax assessment value to the deferred loan portion. However if an appraisal has been completed within three years of the application, the appraisal may be used in place of the assessed value.
- 7) In the event of the death of the Grant/Deferred Loan recipient and in the event that title to the property rehabilitated under the Grant/Deferred Loan Program is passed

to a person who will reside in the residence and meets the income requirements then, if the person executes an agreement with the City to assume responsibility for the Grant/Deferred Loan, the lien on the property continues under all of the conditions of the Grant/Deferred Loan Program. In the event of subsequent title transfer by said survivor either through sale or death, the full amount of the lien shall become due to the City of Urbana.

- 8) Before documents can be executed to initiate the renovation project (i.e., note, mortgage, construction contract), the applicant must pay all sums necessary to release outstanding liens on the property other than a first mortgage and tax liens in good standing. Liens that must be released before work can proceed include, but are not limited to, liens for past-due income and sewer benefit taxes and liens for junk and debris removal. Property tax payments on the subject premises must be current at the time documents for the renovation project are executed.
- 9) Before documents can be executed to initiate the renovation project, the applicant must provide evidence in the form of a Certificate of Insurance that she/he has insured subject premises against loss by fire and hazards included within the term "extended coverage." **The City of Urbana must be shown as an additional insured on the policy.** This insurance shall be maintained in the amounts required by the City for as long as the property remains encumbered by the mortgage.

4.3 Eligibility Criteria

For a dwelling unit to qualify for rehabilitation through the Grant/Deferred Loan Program, the unit must meet the following criteria:

- 1) Be located in the CD Target Area.
- 2) Be classified as "substandard, suitable for rehabilitation" by the Grants Management Division.
- 3) Be structurally sound or be able to be rendered structurally sound through rehabilitation. Units that cannot be cost-effectively renovated to meet code are ineligible for assistance under this program.
- 4) Be a unit which, after rehabilitation, will be a standard unit (i.e., without code violation).
- 5) Be a single-family owner-occupied residential property. Owner-occupied units in multiple-unit structures are ineligible for assistance under this program.
- 6) Not be located in an area which is in conflict with environmental or zoning regulations (e.g. not located within a floodplain or adjacent to a railroad or other noise source which has a day/night sound level in excess of Department of Housing and Urban Development Sound Level Standards) or with the 2005 Comprehensive

Plan for Urbana as amended. Single-family residential properties which are in violation of the Urbana Zoning Ordinance, as determined by the Zoning Administrator and/or the Zoning Review Board, are ineligible for renovation under this program.

For an applicant to qualify for a Grant/Deferred Loan, he/she must meet the following criteria:

- 1) The applicant must have owned and lived in the residence for one year prior to applying for assistance.
- 2) The applicant must be the person or persons in whose name title to the property is vested.
- 3) The applicant's anticipated household annual (gross) income shall not exceed 50 percent of the median family income for Champaign County as released by HUD.
- 4) The HUD Part 5 definition of annual (gross) income shall be the method used in calculating annual income.

4.4 Processing Procedures

This section outlines procedures for preparing, processing, and approving an application for a Grant/Deferred Loan, determining work to be done on the property, procuring a contractor, and managing the rehabilitation contract.

4.4.1 Application Process

- 1) GMD staff shall interview and advise the applicant of the design and objectives of the housing assistance programs, the availability and benefits of housing rehabilitation assistance, and the specific terms and conditions under which assistance is provided.
- 2) GMD staff shall obtain the following information from and about the applicant and the subject dwelling:
 - a) Verification of employment.
 - b) Verification of other earnings, housing expenses, and assets.
 - c) Verification of deposits with financial institutions.
 - d) Verification of mortgage or deed of trust from each holder of a lien secured by the property.

- e) Verification of additional information, such as credit references, necessary to make a determination of eligibility.
- f) GMD staff shall create a Priority List based on the Prioritization List Scoring Form (see Appendix II).

4.4.2 Work Determination/Contractor Procurement

- 1) During the initial walk-through, the Rehabilitation Specialist informs the homeowner of the contractor selection process. Rehabilitation Specialist advises the owner that he/she will be asked to select at least four contractors to bid on his/her project. The owner may choose a general contractor whose firm is not on the GMD Qualified General Contractor List provided that, prior to bid opening, the contractor not on the list will be required to meet the same criteria as Qualified General Contractors on the GMD list. If the owner intends to have such a contractor bid on the project, the Rehabilitation Specialist shall provide an application packet to the contractor as soon as possible (provided the contractor is interested in bidding on the project).
- 2) Schedule and conduct code inspections on the subject dwelling.
- 3) Schedule and conduct lead hazard evaluation.
- 4) Prepare work description describing work to be accomplished, including code reports and lead hazard control plan.
- 5) Consult with applicant on preliminary work description and cost estimate to reach an agreement on work to be done.
- 6) After owner has reviewed the work description, Rehabilitation Specialist offers GMD Qualified General Contractor List to the owner for selection of at least four contractors. Owner selects four contractors then signs at bottom of list. If chosen contractor decides not to bid, owner may choose another contractor if he/she desires.
- 7) Owner and Rehabilitation Specialist set date and time for pre-bid conference at the site.
- 8) Rehabilitation Specialist notifies selected contractors and contractors on the GMD Minority-Female Owned list by mail of the pre-bid conference and solicits response from general contractors regarding intent to attend pre-bid and submit proposal. *Specialty Contractors notified should generally be those whose area of expertise or specialty encompasses work included in the specific job work description.*

- 9) All attend pre-bid conference where concerns and questions are addressed. Contractor will be allowed to visit the site between pre-bid and bid opening with their subcontractors.
- 10) Coordinate the solicitation of formal sealed bids from qualified general contractors selected by the applicant. The contract shall be awarded to that qualified contractor selected by the applicant so long as that contractor's bid is within 10 percent of the Rehabilitation Specialist's cost estimate for the job.
- 11) Bids are opened at the time designated by the Rehabilitation Specialist within 14 days after pre-bid. Owner may wish to be present. Owner has ten days to select a contractor. If no bids are within 10 percent of the Rehabilitation Specialist's estimate, the project will be reviewed and modified as needed, then if required, rebid.
- 12) GMD schedules preconstruction loan closing and contract signing as soon as possible after contractor selection.
- 13) Issue Proceed Order after the expiration of the three-day Truth and Lending Disclosure period.

4.4.3 Contracting

Construction is undertaken only through a written contract between the contractor and the recipient of the Grant/Deferred Loan. GMD staff assists each applicant with arranging an acceptable construction contract.

The construction contract shall consist of a single agreement signed by the contractor, accepted by the homeowner, and approved by the Grants Management Manager. It shall contain the proposal amount, all general conditions, and a description of all rehabilitation work to be performed. The contract may be changed as federal, state, and local laws, regulations, or policies deem necessary.

Drawings and/or specifications shall be prepared by the contractor only when deemed essential by GMD or Building Safety Inspector to show the scope and detail of the work involved, so misunderstandings can be avoided.

The contractor's proposal shall comply with general specifications, work description, code reports and lead hazard control plan as supplied by GMD. Provisions shall be made for acceptance of equal substitutions if accepted by the Rehabilitation Specialist. All proposals shall explicitly prohibit the use of lead-based paint and shall require the elimination of lead-based paint hazards.

GMD staff shall establish and, on the basis of the contractors' experience and qualifications, maintain a current list of contractors, subcontractors, specialty contractors, and material

suppliers who are qualified and who are interested in doing rehabilitation work. GMD shall to the greatest extent feasible contract with Champaign County companies, firms, etc. Contracts shall be awarded per bid procedures outlined in Section 11.0.

Self-Help shall not be permitted in the Housing Rehabilitation Program.

Rehabilitation Permit, utilities and building permit fees shall be required for construction work funded through the Grant/Deferred Loan Program. These fees are the responsibility of the contractor and his subcontractors.

4.4.4 Contract Management

- 1) Rehabilitation Specialist shall inspect rehabilitation work on a regular basis to see that all work is progressing satisfactorily and to monitor the quality of materials and workmanship and compliance with affirmative action guidelines and safe work practices for lead hazard control.
- 2) Rehabilitation Specialist shall conduct final inspection of rehabilitation work to ensure conformance with contract specifications and issue certificate of final approval when appropriate.
 - a) The contractor and/or subcontractor shall coordinate with code officials, Rehabilitation Specialist and Owner for final approval on each segment of work performed at the residence.
 - b) Rehabilitation Specialist shall schedule a clearance test for the lead reduction work performed at the residence.
- 3) Rehabilitation Specialist shall obtain from the contractor all manufacturer's and supplier's warranties, release of liens, final invoices, and contractor's sworn statements prior to final pay request for the rehabilitation work. The Rehabilitation Specialist shall obtain a Certificate of Occupancy for the residence prior to final payment to the contractor.

4.5 Close Out Procedures

- 1) Rehabilitation Specialist shall present the recipient with all warranties pertaining to the rehabilitation, a list of contractor and subcontractor telephone numbers, and a copy of the contract, lead hazard clearance report, and the Certificate of Occupancy.
- 2) GMD staff shall provide information regarding energy conservation and maintenance, and shall request that the recipient complete and return a questionnaire pertaining to the program delivery.
- 3) GMD staff shall give the recipient a copy of the recorded mortgage and note.

- 4) GMD staff shall add information on the completed case to the Community Development Property Log.

5.0 GRANT/INSTALLMENT LOANS

A combination grant and loan totaling up to \$25,000 is available to provide labor, materials, and supplies to repair owner-occupied housing. Through the renovation, code violations and lead hazards on the premises must be eliminated. Half of the total rehabilitation cost is provided by the Owner through a financial institution in the form of a loan or mortgage refinance. This portion of funding shall be put in escrow with the City prior to issuing the notice to proceed. Up to \$12,500 of the funds provided through the program are provided by the City in the form of a grant. Grant/Installment Loan assistance is available to income-eligible residents in the CD Target Area.

5.1 Eligible and Ineligible Activities

Eligible activities include general repairs which will bring the house into compliance with City codes while eliminating lead-based paint hazards. Eligible activities include but are not limited to the following:

- repair or replacement of defective mechanical systems, i.e., electrical, plumbing and heating
- repair or replacement of defective building components and surfaces, i.e., foundations, roofs, porches and stairways, floors, ceilings and walls, doors and windows, siding and trim
- energy conservation activities, i.e., insulation, caulking and weather-stripping, siding, doors, and windows
- lead-based paint hazard reduction
- accessibility for disabled persons
- incipient repairs and general property improvements of a non-luxury nature
- site improvements and utility connections
- construction of house additions but only if necessary to meet code if funding is available

Priority is placed on renovation necessary to meet City code, elimination of lead-based paint hazards, exterior renovation, and lastly any eligible interior renovation.

Ineligible activities include:

- temporary improvements

- any fixtures not permanently attached to the house, including appliances and window air conditioners
- fees for professional services of architects, engineers, and other consultants
- construction or renovation of detached garages and out buildings

5.2 General Terms and Conditions

- 1) An applicant may not apply for more than one type of whole house rehabilitation assistance described in this manual at any given time. An applicant may, however, receive assistance through other programs listed in the manual and then additional assistance through the whole house rehabilitation program if the applicant is otherwise eligible to receive assistance through the programs.
- 2) The applicant may not apply for whole house rehabilitation assistance through the Grant/Installment Loan Program if the property to be rehabilitated received whole house rehabilitation assistance from GMD within ten years of the application date. The date of the Certificate of Occupancy of previously funded work shall be used to determine when the ten-year period begins.
- 3) Total project cost shall not exceed \$25,000.
- 4) Of the total project cost, 50 percent shall be provided by the Owner from a financial institution or through mortgage refinance in the form of a loan. Up to \$12,500 of project costs are provided by the City in the form of a grant.
- 5) The owner and financial institution shall negotiate the loan terms so as not to create a greater cost burden on the homeowner as may necessarily be with a first mortgage on the property.
- 6) Indebtedness on the property including the loan portion of the Grant/Installment Loan shall not exceed 95 percent of the after-rehabilitation appraised value. After Rehab Value is calculated by adding the current tax assessment value to the loan portion. However if an appraisal has been completed within three years of the application, the appraisal may be used in place of the assessed value.
- 7) Loan processing costs shall be the responsibility of the applicant. These costs include appraisals, title services, and credit reports. The applicant shall not be charged an application fee.
- 8) The applicant's monthly housing expenses shall not exceed 31 percent of his/her gross monthly income including the rehabilitation loan payment except in cases warranting special consideration by GMD and the financial institution. Housing expenses consist of:

- a) monthly payments of principal and interest on any and all loans secured by a lien on the property including the proposed rehabilitation loan;
 - b) one twelfth (1/12) of annual real estate taxes; and
 - c) one twelfth (1/12) of annual hazard insurance premiums.
 - d) Housing expenses shall not include utility payments.
- 9) The applicant's total monthly expenses, including monthly housing expenses, shall not exceed 43 percent of his/her gross monthly income. Total expenses consist of:
- a) monthly housing expenses as described above;
 - b) payments on installment loan debts with more than ten remaining payments;
 - c) alimony, child care, child support, or maintenance payments;
 - d) total negative cash flow from all properties presently owned (except the subject property);
 - e) credit card payments in either the amount stated by the applicant or 10 percent of the outstanding card balance, whichever is greater.
- 10) Before documents can be executed to initiate the renovation project construction contract, the applicant must pay all sums necessary to release outstanding liens on the property other than mortgage and tax liens in good standing. Liens that must be released before work can proceed include, but are not limited to, liens for past-due income and sewer benefit taxes and liens for junk and debris removal. Property tax payments on the subject premises must be current at the time documents for the renovation project are executed.
- 11) Before documents can be executed to initiate the renovation project, the applicant must provide evidence that she/he has insured the subject premises against loss by fire and hazards included within the term "extended coverage."

5.3 Eligibility Criteria

For a dwelling unit to qualify for rehabilitation through the Grant/Installment Loan Program, the unit must meet the following criteria:

- 1) Be located within the CD Target Area.
- 2) Be classified as "substandard, suitable for rehabilitation" by the Grants Management Division.

- 3) Be structurally sound or able to be rendered structurally sound through rehabilitation; units that cannot be cost-effectively renovated to meet code are ineligible for assistance under this program.
- 4) Be a unit which, after rehabilitation, will be a standard unit (i.e., without code violations).
- 5) Be a single-family owner-occupied residential property. Owner-occupied units in multiple-unit structures are ineligible for assistance under this program.
- 6) Not be located in an area which is in conflict with environmental or zoning regulations (e.g., not located within a floodplain or adjacent to a railroad or other noise source which has a day/night sound level in excess of the Department of Housing and Urban Development Sound Level Standards) or with the 2005 Comprehensive Plan for Urbana as amended. Single-family residential properties which are in violation of the Urbana Zoning Ordinance, as determined by the Zoning Administrator and/or the Zoning Review Board, are ineligible for assistance under this program.

For an applicant to qualify for the Grant/Installment Loan Program, he/she must meet the following criteria:

- 1) The applicant must have owned and lived at the residence one year prior to applying for assistance.
- 2) The applicant must be the person or persons in whose name title to the property is vested.
- 3) The loan applicant must meet the participating financial institution's loan underwriting criteria for the Grant/Installment Loan Program including credit history.
- 4) The applicant's household annual income shall be greater than 50 percent but not more than 80 percent of median family income for Champaign County.
- 5) The HUD Part 5 definition of annual (gross) income shall be the method used in calculating annual income.

5.4 Processing Procedures

This section outlines procedures for preparing, processing, and approving an application for the Grant/Installment Loan Program, determining work to be done on the property, procuring a contractor, and managing the rehabilitation contract.

5.4.1 Application Process

- 1) GMD staff shall interview and advise loan applicant of the design and objectives of the housing assistance programs, the availability and benefits of housing rehabilitation assistance, and specific terms and conditions under which assistance is provided.
- 2) GMD staff shall obtain the following information from and about the applicant and the subject dwelling:
 - a) Verification of employment.
 - b) Verification of other earnings, housing expenses, and assets.
 - c) Verification of deposits with financial institutions.
 - d) Verification of mortgage or deed of trust from each holder of a lien secured by the property.
 - e) Verification of additional information, such as credit references, necessary to make a determination of eligibility.
- 3) GMD staff shall create a Priority List based on the Prioritization List Scoring Form (see Appendix II).

5.4.2 Work Determination/Contractor Procurement

- 1) During the initial walk-through, the Rehabilitation Specialist informs the homeowner of the contractor selection process. Rehabilitation Specialist advises owner that he/she will be asked to select at least four contractors to bid on his/her project. The owner may choose a general contractor whose firm is not on the GMD Qualified General Contractor List provided that, prior to bid opening, the contractor not on list will be required to meet the same criteria as Qualified General Contractors on the GMD list. If the owner intends to have such a contractor bid on the project, the Rehabilitation Specialist should provide an application packet to the contractor as soon as possible (provided the contractor is interested in bidding on the project).
- 2) Schedule and conduct code inspections on the subject dwelling.
- 3) Schedule and conduct a lead hazard evaluation.
- 4) Prepare work description describing work to be accomplished, including the code reports and lead hazard control plan.
- 5) Consult with applicant on preliminary work description and cost estimate to reach an agreement of work to be done.

- 6) After owner has reviewed the work description, Rehabilitation Specialist offers GMD Qualified General Contractor List to the owner for selection of at least four contractors. Owner selects four contractors then signs at bottom of list. If chosen contractor decides not to bid, owner may choose another contractor if he/she desires.
- 7) Owner and Rehabilitation Specialist set date and time for pre-bid conference at the site.
- 8) Rehabilitation Specialist notifies selected contractors and contractors on the GMD Minority-Female Owned list by mail of the pre-bid conference and solicits response from general contractors regarding intent to attend pre-bid and submit proposal. *Specialty Contractors notified should generally be those whose area of expertise or specialty encompasses work included in the specific job work description.*
- 9) All attend pre-bid conference where concerns and questions are addressed. Contractor will be allowed to visit the site between pre-bid and bid opening with their subcontractors.
- 10) Coordinate solicitation of formal sealed bids from four qualified general contractors selected by the applicant. The contract shall be awarded to that qualified contractor selected by the applicant so long as that contractor's bid is within 10 percent of the Rehabilitation Specialist's cost estimate for the job, contingent upon final loan approval by the participating financial institution.
- 11) Bids are opened at a time designated by the Rehabilitation Specialist within 14 days after pre-bid. Owner may wish to be present. Owner has ten days to select a contractor. If no bids are acceptable, the project will be reviewed and modified as needed, and if required, rebid. GMD schedules preconstruction and contract signing as soon as possible after contractor selection.
- 12) Issue Proceed Order after the owner's portion of financing has been put in escrow with the City.

5.4.3 Contracting

Construction is undertaken only through a written contract between the contractor and recipient of the Grant/Installment Loan. GMD staff assists each applicant with arranging an acceptable construction contract.

The construction contract shall consist of a single agreement signed by the contractor, accepted by the homeowner, and approved by the Grants Management Manager. It shall contain the proposal amount, all general conditions, and a description of all rehabilitation work to be performed. The contract may be changed as federal, state, and local laws, regulations, or policies deem necessary.

Drawings and/or specifications shall be prepared by the contractor only when deemed essential by GMD or Building Safety Inspector to show the scope and detail of the work involved.

The contractor's proposal shall comply with general specifications, work description, code reports, and lead hazard control plan as supplied by GMD. Provisions shall be made for acceptance of equal substitutions if accepted by the Rehabilitation Specialist. All proposals shall explicitly prohibit the use of lead-based paint and shall require the elimination of lead-based paint hazards.

GMD staff shall establish and, on the basis of the contractors' experience and qualifications, maintain a current list of contractors, subcontractors, specialty contractors, and material suppliers who are qualified and who are interested in doing rehabilitation work. GMD shall to the greatest extent feasible contract with Champaign County companies, firms, etc. Contracts shall be awarded per bid procedures outlined in Section 11.0.

Self-Help shall not be permitted with the Housing Rehabilitation Program.

Rehabilitation Permits, utility and building permit fees shall be required for construction work funded through the Grant/Installment Loan Program. These fees are the responsibility of the contractor and his Subcontractors.

5.4.4 Contract Management

- 1) Rehabilitation Specialist shall inspect rehabilitation work on a regular basis to see that all work is progressing satisfactorily and to monitor the quality of materials and workmanship and compliance with affirmative action guidelines, including safe work practices for each hazard control.
- 2) Rehabilitation Specialist shall make final inspection of rehabilitation work to ensure conformance with contract specifications.
 - a) The contractor and/or subcontractors shall coordinate with code officials, Rehabilitation Specialist, and Owner for final approval on each segment of work performed at the residence.
 - b) Rehabilitation Specialist shall schedule a clearance test for the lead reduction work performed at the residence.
- 3) Rehabilitation Specialist shall obtain from the contractor the manufacturers' and suppliers' warranties, release of liens, final invoices, and contractor's sworn statement prior to final pay request for rehabilitation work. The Rehabilitation Specialist shall obtain a Certificate of Occupancy for the residence prior to issuing final payment to the contractor.

5.5 Close Out Procedures

- 1) Rehabilitation Specialist shall present the recipient with all warranties pertaining to the rehabilitation, a list of contractor and subcontractor telephone numbers, and a copy of the contract, lead hazard clearance report, and the Certificate of Occupancy.
- 2) GMD staff shall also provide information regarding energy conservation and maintenance, and shall request that the recipient complete and return a questionnaire pertaining to the program delivery.
- 3) GMD staff shall add information on the completed case to the Community Development Property Log.