

HOUSING REHABILITATION PROGRAM DESIGN

James City County Scattered Site Housing Rehabilitation Program
2019 Community Development Block Grant #19-14-33

PROGRAM PURPOSE AND OBJECTIVES

James City County (the “County”) will improve housing conditions at various locations in the County. The Scattered Site Housing Rehabilitation Program (the “Program”) will include rehabilitation of twelve (12) homes owned and occupied by low- to moderate-income (“LMI”) households; substantial reconstruction of four (4) homes that are unsuitable for rehabilitation, which are owned and occupied by LMI households; and interim assistance to cleanup and dispose of debris, sheds and garages for three (3) of the homes being rehabilitated or replaced

This Housing Rehabilitation Program Design shall also apply to rehabilitation assistance provided from program income derived from this Program.

PROGRAM AREA BOUNDARIES

All projects will take place within the political boundaries of the County.

BENEFIT REQUIREMENTS

All of the homes rehabilitated with Community Development Block Grant funds will be occupied by LMI households verified to meet the US Department of Housing and Urban Development (HUD) income limits for the County.

OVERSIGHT AND STAFFING

Housing Rehabilitation Oversight Board

Neighborhood Development and Housing will jointly manage the Program. The Community Development Block Grant Housing Rehabilitation Oversight Board (the “Rehab Board”) will review homeowners’ rehabilitation applications to confirm the applicants’ qualification, pre-approve qualified contractors, review and accept scopes of work, bid results, construction contracts and loan terms.

The Rehab Board shall include the Assistant County Administrator, the Director and Assistant Director of Social Services, the Housing Manager and the Neighborhood Development Administrator.

The Grant Manager will prepare a file for each action requiring Rehab Board confirmation. The file may contain a summary of the applicant’s eligibility, work to be completed, bid and loan terms. At least three members of the Rehab Board must approve each action or project file. If approved, the County’s accounting and legal departments will review to verify the availability of budgeted funds and adherence to legal requirements.

The Rehab Board Guidelines are attached as Exhibit A.

Housing Rehabilitation Program Manager

The Housing Manager will serve as the Rehabilitation Program Manager (the “Rehab Manager”) and shall supervise the Housing Rehabilitation Specialist. The Rehab Manager will:

- Conduct initial and final DHCD HQS inspections;
- Oversee the work of the Housing Rehabilitation Specialist;
- Review and approve all contractors’ pay requests and change orders;
- Receive all complaints and investigate and make recommendations to resolve them; and
- Oversee the application process and the rehabilitation loan process.

Housing Rehabilitation Specialist

The County Housing Rehabilitation Specialist will serve as the Housing Rehabilitation Specialist (the “Rehabilitation Specialist”). The Rehabilitation Specialist will:

- Schedule and conduct a thorough inspection of the property with the homeowner to determine the deficiencies of the property using the DHCD Housing Quality Standards checklist.
- Prepare a work write-up and itemized cost estimate.
 - The work write-up will specify equipment, materials, and installation procedures and reference the Manufacturer’s Recommended Installation Standards.
 - The cost estimate will reflect cost calculations based on current local rates.
 - The work write-up will be reviewed and signed by the homeowner.
- Bid the rehabilitation/reconstruction project.
 - Invite three or more pre-qualified contractors, taken consecutively from the Rehab Board's pre-approved contractors list, to attend a pre-bid meeting.
 - Provide and review bid documents with contractors.
 - Conduct a pre-bid walk-through of the home for the contractors.
 - Review the bids and determine the lowest-responsive bidder. Acceptable bids normally will not exceed cost estimates by more than 10 percent.

- Control the construction project.
 - Conduct progress and quality assurance inspections during construction.
 - Conduct percentage of contract payment inspections, which will be reviewed and approved by the Rehab Manager.
 - Document problems with photographs and notes in an inspection log.
 - Conduct final inspections with the homeowner.

Lead Based Paint Risk Assessor

The Rehabilitation Specialist will oversee the Lead Based Paint Assessment process, which shall be conducted as follows:

- The owners of homes built prior to 1978 shall be informed of the possible presence of Lead Based Paint (LBP) and provided with the pamphlet “Protect Your Family from Lead in Your Home.”
- The Rehabilitation Specialist will conduct a preliminary visual inspection to determine painted surface condition, paint history, and whether an Inspection, Risk Assessment, or Lead Hazard Screen is necessary.
- If needed, a Lead Hazard Screen will be conducted by a certified Lead Paint Risk Assessor.
- When an Environmental Intervention Blood Lead Level (EIBLL) child is in the home, a lead inspection will be required to identify the presence of lead in the home. In homes with a child or children under age 6, X-Ray Fluorescence Analyzer (XRF) testing of all painted surfaces to be disturbed during paint stabilization will be conducted by a certified Lead Paint Risk Inspector. This prevents unnecessary use of materials and time if paint is identified as “not lead based paint” and ensures that areas are identified properly and proper precautions are used during repairs prior to cleaning and clearance.
- Renovation firms certified under EPA's Renovation, Repair and Painting Rule will be employed to complete the paint stabilization and cleaning after which a clearance test will be conducted by an approved lead paint inspection company.

Intake Surveyor

The Housing Specialist will serve as the Intake Surveyor. The Intake Surveyor will:

- Receive preliminary applications, which may be taken over the phone, screen applicants, and inform them of the program requirements.
- Interview the applicants and obtain required financial and ownership documentation.

- Submit verification forms to employers, financial institutions, utilities, and social service agencies.
- Obtain credit reports on loan applicants.
- Complete the final application and obtain the applicants' signatures
- Review beneficiaries' ability-to-pay annually and obtain the Rehab Board's approval if adjustments to the required repayments are necessary.

Loan Servicer

The Housing's Administrative Assistant will serve as the Loan Servicer. The Loan Servicer will:

- Obtain a payment coupon book and mail it to the borrower.
- Collect and record monthly payments and prepare periodic reports of loan payments and delinquencies.
- Maintain records of loan balances and final payment due dates.
- Mail annual loan balance statements to all borrowers by February 15 each year.
- Make a good faith effort to collect delinquent loans.
- Prepare Certificates of Satisfaction for signature by the County Attorney or other authorized County agent.

Grant and Financial Manager

The Neighborhood Development Assistant Administrator will serve as the Grant and Financial Manager (the "Grant Manager"). The Grant Manager will ensure that all grant expenditures are adequately budgeted and tracked in accordance with DHCD Financial Management requirements as outlined in the Grant Management Manual. The County Accounting Supervisor shall assist the Financial Manager in reviewing all financial reports prior to submission to DHCD.

The Grant Manager will prepare the files for consideration of the Rehab Board.

The Grant Manager will prepare and file all reports required by DHCD.

APPLICANT ELIGIBILITY

Allowable Income and Asset Limits for the Applicant

CDBG housing rehabilitation funds may be used only to directly benefit LMI households. LMI households are defined as households whose income does not exceed 80 percent of the area median household income as determined by HUD. All household income and assets will be

counted and verified according to DHCD requirements in effect at the time the client completes their application for assistance.

Fairness and Equitable Distribution of Benefits

- Moderate-income households will not benefit to the exclusion of low-income households. Low-income households are defined as those whose aggregate income by household size is below 50 percent of the area median household income.
- Minority, elderly, or female-headed households will not be denied reasonable benefits through the rehabilitation program guidelines or loan structuring.
- Funds shall not be set aside or goals specified that adversely affect the benefits to low-income, minority, elderly, or female-headed households.
- For the purpose of this grant an elderly household is any household occupied by a person 62 years of age or older.

Prioritization of Applicants

- All persons whose homes were inspected, and who provided personal and financial information in preparation for the 2019 CDBG application will be ranked based on need. A point will be awarded for each category when; a household member is disabled; elderly; under the age of 18; household income is below 50% AMI; there are major structural, plumbing or mechanical deficiencies. The applicants will be ranked based on the sum of these points from highest to lowest
- If it is determined that an applicant does not meet eligibility criteria, the applicant shall be informed in writing prior to suspending or terminating their application.
- New applicants will be considered, if necessary, from the current Rehab Waiting List, on a first-come, first-served basis.

PROPERTY ELIGIBILITY

Suitable for Rehabilitation

A unit is considered suitable for rehabilitation if it is occupied by an LMI owner, and can be rehabilitated to DHCD Housing Quality Standards (HQS) with a base CDBG investment of \$50,000 or less. Extra bedrooms, a bathroom, well, septic, or handicap accessible structures, if required, are considered “exceptions” to the base \$50,000 CDBG limit. These exceptions may allow up to an additional \$30,000 to the base construction cost.

Unsuitable for Rehabilitation

An LMI occupied unit with major structural deficiencies that cause the estimated rehabilitation costs to exceed \$50,000, excluding the cost of “exceptions,” is considered unsuitable for rehabilitation. Properties deemed unsuitable for rehabilitation may be addressed as Substantial

Reconstructions.

Loan-To-Value Limit

The projected cost of rehabilitation plus the current balance on existing liens on the property may not exceed the greater of the current real estate tax assessment or the projected value of the property after rehabilitation. The Rehab Board may elect to waive the loan-to-value limit if the applicant has been current with all loan payments on the secured debt for the preceding six months.

Real Estate Taxes

Owners must be current in payment of the real estate taxes owed to the County or have a written payment plan signed by the County Treasurer.

Eligible Property Types

Housing rehabilitation assistance funded through the CDBG will be available for properties owned and occupied by LMI households, as defined by HUD. Eligible properties include the following:

- **Owner-Occupied Properties:** All properties must be owner-occupied. Ownership shall be determined pursuant to “Property Ownership and Clear Title” section below. An “occupant” is one whose principal place of residence has been at the property for at least 180 days.
- **Vacant Properties:** Vacant properties are not eligible for rehabilitation unless the house,
 - was consistently occupied during the last five years and for at least six months of the preceding year, or
 - was purchased or inherited by an LMI household who intends to occupy the house when rehabilitation is completed, or
 - is owned by the County or nonprofit and will be sold to an LMI household.

Prior written approval must be obtain from DHCD before a vacant property may be rehabilitated.

- **Manufactured (Mobile) Homes:** Mobile homes will be eligible for rehabilitation or replacement subject to the 2017 CDBG Grant Management Manual Mobile Home Cost Limits (the “Cost Limits”) and policy requirements. If the cost of the rehabilitation will exceed the Cost Limits, the mobile home must be substantially replaced with a stick-built or modular unit or subject to DHCD approval, replaced with a new mobile home.

Property Ownership and Clear Title

Property ownership and eligibility will be determined as follows:

- Owner-Occupied Properties are properties occupied by LMI owners with record title.
- Heir Properties. Heirs are eligible if the property is their primary residence at the time of application, they prove they are an heir, and they have control over the property. DHCD does not require that the occupant own the property in fee simple, but the County must verify ownership status and determine that the applicant is likely to continue to occupy the property. If the property is owned by more than one heir, the County must make reasonable attempts to ensure the lien of the Deed of Trust will be valid and enforceable by:
 - Making a reasonable effort to identify all heirs and document attempts to contact each heir in writing to request transfer of their interest to the applicant. Where co-heirs agree to transfer title, appropriate deeds to the applicant must be recorded in the Clerk's Office of the Circuit Court for James City County.
 - If obtaining fee simple title for the applicant is impossible because the co-owners are unwilling or unable to convey the property to the applicant, a life estate for the applicant may be recorded. If a life estate is created the requirements in "Life-Estates" below must be met.
 - Where title to the property is not clear and marketable the County may assist applicants in attempting to obtain clear title. If the cloud on the title cannot be removed at an insignificant cost, or signatures cannot be obtained from all heirs to the property, then the County will not rehabilitate the property.
- Life Estates. Occupants with a life estate are eligible if the property is otherwise eligible for rehabilitation. All co-owners and remaindermen must sign the Note and Deed of Trust, and agree that the remaindermen will repay the loan balance when the life estate terminates, whether by the death or removal of the life tenant. However, when the life estate terminates, if one or more of the remaindermen meets the program qualifications, they may continue the obligations of the loan and Deed of Trust, provided they occupy the property, sign a note for the balance of the loan and the other owners agree in writing.

REHABILITATION STANDARDS

Eligible Improvements

All rehabilitation and reconstruction financed through the Program must meet DHCD Housing Quality Standards ("DHCD HQS") after rehabilitation is completed. Any improvements, which are necessary for a property to meet DHCD HQS, are eligible property improvements.

The following types of improvements and repairs will also be eligible:

- Improvements required to meet the Virginia Weatherization Assistance Program Installation Standards including insulation, window and door caulking and/or weather stripping, and storm windows or insulated replacement windows as needed.
- Window Screens.

- Repair, replacement, or provision of one storage shed not exceeding 64 square feet.
- Hall and bedroom closets where adequate space exists.
- Air conditioning.
- Acquisition of property for a replacement dwelling or to meet setback and minimum lot size requirements of the County's zoning ordinance for rehab beneficiaries.

Ineligible Improvements.

Cosmetic repairs and improvements are ineligible rehabilitation expenses.

PERMANENT RELOCATION

No permanent relocations are required by this project.

TEMPORARY RELOCATION

Three households will be temporarily relocated while their homes are being reconstructed. These families will be provided with temporary relocation assistance, including moving costs, if necessary, to pay for rent in a temporary home while their home is being rebuilt. Temporary housing, is available within one to seven miles of the neighborhood in furnished apartments and extended stay hotels.

FINANCIAL ASSISTANCE TERMS AND AVAILABILITY

Ability-to-Pay Calculation

The Housing Specialist will calculate the ability-to-pay for all applicants in accordance with the guidance outlined in the 2017 CDBG Grant Management Manual. Every owner-occupied household with an ability to pay will pay the amount calculated as its ability-to-pay, or as approved by the Rehab Board and DHCD.

Financial Assistance

All rehabilitations will be financed by a loan, secured by a note and a deed of trust recorded as a lien on the property. The loan will cover the cost of all improvements, including any exceptions and demolition. Home maintenance education program, temporary relocation, and administrative costs will not be included in the loan. All loans made to secure the expenditure of CDBG funds shall be an installment loan as follows:

- Total projected housing expenses, including the proposed rehab loan, shall not exceed 25 percent of the applicants' household income and total projected debt shall generally not exceed 40 percent of income.
- There will be no pre-payment penalty.

- The rate of interest shall be zero percent.
- The loan term shall be 15 years for substantially reconstructed homes and 10 years for rehabilitation projects.
- A late fee of 10 percent of the required payment, rounded to the nearest dollar, shall be assessed for any loan payment not made by the 15th of the month.
- Additional rehabilitation loans, secured by a Note and Deed of Trust lien recorded against the property may be created for funding provided by the County.

Loan Closing and Servicing

The County Attorney, assisted by the Grant Manager, will prepare all loan documents, conduct closings and record the deeds of trust.

The County may deduct a maximum of \$5 per month from each loan payment as a servicing fee, to offset the cost of loan collection. The County may also be reimbursed 10 percent of annual inactive program income to pay for actual administrative costs, at the time the program income is expended.

The County shall issue an Annual Loan Statement to the primary borrower for each loan.

Collection of delinquent loans will be conducted in accordance with County 2019 Community Development Block Grant Loan Approval and Servicing Guidelines, , up to and including foreclosure, and will adhere to all applicable State and Federal laws.

Housing maintains a record of loan maturity dates. When a loan reaches maturity, Housing staff will verify that all loan conditions have been met, and prepare and record a Certificate of Satisfaction. The original note marked paid and a copy of the Certificate of Satisfaction will be mailed to the primary borrower.

CONTRACTING PROCEDURES

James City County adopted and implemented a Local Business and Employment Plan after required advertisements and notice to listed contractors. Additional advertisements, listings, and referrals will be undertaken as required.

James City County will encourage contractors and sub-contractors to contact those appropriate project area minority- and female-owned firms on the Housing's solicitation list and provide such firms reasonable opportunities to compete for procurement contracts.

The following process will be used in selecting and qualifying contractors, and bidding, awarding, and managing projects:

Contractor Pre-Qualification

Contractors will be pre-qualified as follows:

- The County Purchasing Office will advertise in Virginia Gazette, informing contractors of the opportunity to pre-qualify for participation in bid opportunities.
- Housing may obtain a list of local Class A and B contractors from the Department of Professional and Organizational Regulations or other sources and send correspondence to inform them of the opportunity to become a pre-qualified contractor.
- Contractors will complete and submit the pre-qualification form to the County Purchasing Office.
- Purchasing will call references and other sources (e.g. building inspectors) will be checked to verify contractor's previous performance.

Contractor Selection

Contractors will be selected for each home as follows:

- At least three contractors, taken consecutively from the Rehab Board's approved list of pre-qualified contractors, will be invited bid and given the bid package with instructions
- No more than two contracts will be awarded to a contractor at any given time.

Contract Management

Contracts will be managed by the Rehabilitation Specialist as follows:

- The contractor, County and homeowner will enter into a written agreement requiring the work to be completed within 60 days from the approved start date.
- The Rehabilitation Specialist will issue a Notice to Proceed to the contractor.
- The contractor may request an initial payment after at least 30 percent of the contracted work is complete. Only line items that are 100% complete may be included in an invoice.
- The contractor may submit additional invoices as work is completed (suggested intervals are 50, 95, and 100 percent complete).
- The Housing Rehabilitation Specialist will review all invoices, verify the amount with the original itemized bid, inspect the work and confirm the line items are 100% complete and obtain the homeowners' approval signature on the payment request. Payment requests and calculation worksheets will be reviewed and approved by the Homeowner, Contractor, and Rehab Specialist, Housing Manager and Program Administrator.
- Final payments are processed in the same manner, but must include Code Compliance inspection approval tickets, equipment documentation; register of contractors, sub-

contractors and suppliers, materialmen's affidavits, lien waivers, and certification by the homeowner that all work has been satisfactorily completed.

- All change orders will be prepared and submitted by the Rehabilitation Specialist and will contain a detailed description of the work to be completed along with an itemized cost list. The Homeowner, Contractor, Rehab Specialist, Housing Manager and Program Administrator will sign all change orders. The Grant Manager will submit to the assigned DHCD representative for final approval. Payment for completed change order items will be made during the next scheduled draw.
- Early completion is encouraged by requesting homeowner to remove furniture and personal belongings from the house or to rooms where work will not be done. Homeowner is also asked to ensure contractor has access to the property during approved work hours. The Rehabilitation Specialist works closely with the contractor and the homeowner during the project to ensure compliance with the agreement. Extensions are discouraged by requiring documentation for justified delays and monetary fines are charged for undocumented delays. All extensions must be approved by Homeowner, Contractor, and Rehab Specialist, Housing Manager and Program Administrator.
- During the initial HQS inspection, or the pre-bid walk-through, the Rehabilitation Specialist and the homeowner, identify and record on the HQS form, all items that must be removed. The homeowner will be responsible for disposing of these items according to their ability. Assistance to the homeowner will be provided as needed to ensure compliance with this requirement.
- All construction debris, waste, and excess material may be maintained in an approved area on site, but must be disposed of weekly unless a container (e.g., dumpster, trailer, truck) is provided by the contractor.
- No hazardous materials or materials that pose a threat to health or safety may be left on site..
- Upon completion of construction, the site must be clear of construction debris and left in broom-clean condition.
- Damage to the yard and property due to delivery or storage of material or construction debris will be corrected by the contractor at no additional charge.

HOME MAINTENANCE EDUCATION PROGRAM

The Rehabilitation Construction Agreement, signed by the applicant, shall require homeowners to attend the Home Maintenance Education. The Home Maintenance Education will be conducted by the Rehabilitation and Housing Specialists

The Rehabilitation Specialist will explain the functions and proper use of the heating, plumbing, electrical systems, and the water heater, including a description of common problems and solutions. The Rehabilitation Specialist will also review proper routine, annual, and seasonal

cleaning and maintenance of these systems, and energy conservation measures.

The Housing Specialist will teach household budgeting and personal financial management, including, establishing and using checking and savings accounts, selecting and purchasing insurance coverage, creating and following a household budget, and recognizing and avoiding predatory lenders.

Each training session shall be “hands-on” and take at least four hours and will include one hour on budgeting

CONFLICT OF INTEREST

The property of any person, or their immediate family, who had decision-making influence in the Program, from the time the application was planned, developed, and submitted to DHCD to the grant’s completion shall be ineligible for assistance of any kind, without DHCD’s prior written approval, regardless of any prior approval of a Program Design. This includes any elected and appointed officials, employees of James City County, or Rehabilitation Board members, in accordance with Virginia and Federal conflict of interest requirements.

COMPLAINT AND APPEALS PROCEDURES

Complaints and appeals regarding this program or the contractor should follow the procedures stated in the Scattered Site Housing Rehabilitation Community Development Block Grant Program Complaint and Appeals Procedures.

REVISING THE PROGRAM DESIGN

Notwithstanding the provisions of the Program Design, all Federal, State, and Local laws, ordinances, and regulations shall strictly apply to this project. Any portion of this Program Design found to be inconsistent or incompatible with applicable laws, ordinances, or regulations shall be deemed to be severed from the Program Design without effect to the remaining provisions.

Because the Program Design is an official contract document, all revisions must be reviewed and approved by DHCD and amended by formal action by the local governing body.

Date adopted by the Board of Supervisors: December 10, 2019