

LAKE HAVASU CITY

HOUSING REHABILITATION PROGRAM GUIDELINES

06/25/26

Goals

The goal of the Housing Rehabilitation Program ("Program") is to assist low-income homeowners within Lake Havasu City ("City") by remedying code violations, health and safety issues, and accessibility barriers and by providing weatherization and energy efficiency upgrades. The Program also aims to keep residents safely housed by addressing hazardous living conditions and ensuring long-term habitability. Additionally, the Program supports efforts to revitalize neighborhoods.

Objectives

- Bring eligible properties into compliance with all adopted City codes.
- Remedy health and safety issues in eligible properties.
- Provide weatherization and energy efficiency improvements.
- Offer accessibility modifications for disabled and elderly homeowners.
- Ensure that residents can remain safely housed by addressing hazardous living conditions and improving long-term habitability.

Marketing

The Program is founded on the premise of helping those who want help. Thus, participation in the Program is completely voluntary. The City does, however, make every possible effort to inform and promote Program awareness to the community.

Marketing will be conducted on an ongoing basis. Vehicles for marketing will be:

- Radio announcements within City limits.
- Advertisements and news articles placed in local newspapers.
- Flyers to social service agencies (Senior Center, Department of Economic Security, etc.) will be circulated.
- Network referral from City Building Division, Code Enforcement, and service clubs and organizations.

The Program is also available for review and comments from the general public at scheduled public hearings held prior to any application for grant funds submitted by the City to the Arizona Department of Housing ("ADOH"). Persons with disabilities or special language needs will be accommodated upon request.

Eligibility Requirements

- The property to be rehabilitated must be located within City limits.
- The property must be owner occupied, and the owner must certify the home is the primary residence. Ownership may be verified using a preliminary title search depending on funding source; a deed alone may not suffice.
- Property must be free of liens or encumbrances that unduly restrict the marketable ownership interest.
- The program provides non-discriminatory assistance to income-qualified homeowners, upholding fair housing laws that prohibit discrimination based on race, color, religion, national origin, sex, disability, familial status, sexual orientation, and gender identity.
- Total household income must not exceed eighty percent (80%) of the median income for the area at the time funds are committed to the property. Income must be re-verified if more than six months has lapsed since initial qualification.
- The property must be suitable for rehabilitation under the time and monetary constraints of the Program.
- Payment cannot be made for work that has already been completed.
- Owner must be current with their mortgage (if applicable), property taxes, water/sewer/trash bill, and sewer loan (if applicable).
- Owner must carry homeowner's insurance.

Application Process

Typically, the initial inquiry is via telephone or a homeowner submits an application for housing grant assistance. A housing grant application can be obtained from the City Hall lobby or from the City's website. Disabled individuals have access to the offices via remote operated doors and elevators. If needed, the Grants Administrator, or designee, will visit the home to obtain all necessary information.

Whether the initial contact is via phone or receipt of a housing grant application, the Grants Administrator contacts the homeowner via phone to conduct a pre-screening to determine homeownership and income eligibility based on the following:

- Low-mod income and owner occupancy;
- Types of problems they are experiencing to determine health and safety issues, i.e., no air conditioning or heating, children under 18, elderly, or disabled;
- Property must be located within City limits; and
- Homeowner must be current with their mortgage (if applicable), property taxes, water/sewer/trash bill, sewer loan (if applicable), and homeowners insurance.

If determined eligible, the homeowner is placed on a waiting list. Confirmation of eligibility will be completed prior to service.

For non-English speaking persons, a time is arranged for an in-person meeting or a

conference call with an interpreter.

The Grants Administrator will review the application to ensure all necessary information is provided. The applicant will sign a Privacy Act Statement giving the Grants Administrator permission to verify all information in the application. The Grants Administrator will also verify ownership by checking Mohave County Assessor's records.

The Grants Administrator will verify the household members, which are all persons occupying the house, including, but not limited to permanent extended family.

There is a ranking process for the applications. However, if a health or safety issue is found in the home, that home will be given priority. Applications are accepted on an ongoing basis. The Grants Administrator is responsible for approval/disapproval of each application. If the application is approved, the homeowner is placed on the waiting list. If the application is not approved, the homeowner can re-apply again immediately upon meeting the Program eligibility requirements.

Repair priorities have been established to ensure fair and equitable provisions of service. Applicants are placed on the waiting list based on the following priorities:

1. Disabled
2. Elderly
3. Single, Head of Household
4. Families with Children
5. All Others

Amount of Assistance

The maximum investment per housing unit shall not exceed the City Manager's purchasing authority established by the Lake Havasu City Council at the time of project approval. Actual project costs shall be based on documented health and safety needs, program requirements, and available funding. Any investment exceeding standard program limits requires City Council approval.

There is no minimum investment amount with Community Development Block Grant ("CDBG") or State Special Projects ("SSP") grant funds. However, a \$1,000.00 minimum investment applies to Home Investment Partnership ("HOME") program grant funds.

Property conditions and repair options will be evaluated on a case-by-case basis during the application process.

The after-rehabilitation value of homeownership units assisted with HOME funds cannot exceed ninety-five percent (95%) of the area median purchase price for single family housing as determined and published by the U.S. Department of Housing and Urban Development ("HUD"). To establish project eligibility, after-rehabilitation value is established prior to any work being performed. The after-rehabilitation value may be

established by taking an estimate of value based on the limited value of the home based on Mohave County Assessor's records and adding the cost of rehabilitation to that amount.

Repairs to commercial properties will not be considered.

Deferred Payment Loans

Deferred Payment Loans will be used to finance the housing rehabilitation projects repaired with HOME Funds (Deferred Payment Loans are not used for CDBG projects). This loan is a forgivable, non-interest bearing loan secured by a recorded Deed of Trust and a Promissory Note.

When the State Housing/Home Funds investment is under \$15,000, the lien will be pro-rata deferred over 5 years as follows:

| | | |
|--------|--------------|------|
| Year 1 | loan payback | 100% |
| Year 2 | loan payback | 80% |
| Year 3 | loan payback | 60% |
| Year 4 | loan payback | 40% |
| Year 5 | loan payback | 20% |
| Year 6 | loan payback | 0% |

When the State Housing/Home funds investment is \$15,000.00 to \$40,000.00, the lien will be pro-rata deferred over 10 years as follows:

| | | |
|---------|--------------|------|
| Year 1 | loan payback | 100% |
| Year 2 | loan payback | 90% |
| Year 3 | loan payback | 80% |
| Year 4 | loan payback | 70% |
| Year 5 | loan payback | 60% |
| Year 6 | loan payback | 50% |
| Year 7 | loan payback | 40% |
| Year 8 | loan payback | 30% |
| Year 9 | loan payback | 20% |
| Year 10 | loan payback | 10% |
| Year 11 | loan payback | 0% |

When the State Housing/Home funds investment is over \$40,000.00, the lien will be pro-rata deferred over 15 years as follows:

| | | |
|--------|--------------|--------|
| Year 1 | loan payback | 100% |
| Year 2 | loan payback | 93.33% |
| Year 3 | loan payback | 86.66% |
| Year 4 | loan payback | 79.99% |
| Year 5 | loan payback | 73.32% |

| | | |
|---------|--------------|--------|
| Year 6 | loan payback | 66.65% |
| Year 7 | loan payback | 59.98% |
| Year 8 | loan payback | 53.31% |
| Year 9 | loan payback | 46.64% |
| Year 10 | loan payback | 39.97% |
| Year 11 | loan payback | 33.30% |
| Year 12 | loan payback | 26.63% |
| Year 13 | loan payback | 19.96% |
| Year 14 | loan payback | 13.29% |
| Year 15 | loan payback | 6.62% |
| Year 16 | loan payback | 0% |

Policies and Procedures for Deferred, Forgivable Loans (if applicable based on funding source)

Loan Documents – All loans are secured with a Promissory Note and Deed of Trust. Depending on the individual property owners, additional documents may be required by the Title Company or the Grants Administrator.

Recording Procedures – Completed documents are submitted to the Mohave County Recorder’s Office for recording. This may be done by the Title Company or the Grants Administrator. Recorded copies are returned to the City, a copy is provided to the homeowner, and one is placed in the file.

Loan Servicing Procedures – The City offers deferred, forgivable loans that do not require repayment as long as the homeowner maintains the property as their primary residence and meets the State Housing Rehabilitation Standards. If a property changes title, the deferred amount of the loan is due and payable to the City and then returned to the Arizona Department of Housing. Staff will prepare the Release of Lien/Satisfaction of Mortgage for the Title Company after the repayment is received. Copies of recorded releases are kept in individual project files until ADOH provides a specific authorized destruction date for the records associated with that grant. The Grants Administrator is responsible for ensuring that all loan documents are prepared, signed, notarized, and recorded with the Mohave County Recorder’s Office.

Program Income – It is not the intention of the City to generate program income from the Deferred Forgivable Loan Program. It is the City’s intention to assist citizens through the Program to remain living in their homes as long as possible. There are events that require a homeowner to sell their property prior to the completion of the recapture period. All payments made to the City for liens remaining are forwarded to the Administrative Services Department and payment is issued to ADOH.

Revolving Loan Fund – The City currently does not establish revolving loan funds.

Subordinations / Refinancing

It is not unusual to receive requests for subordination from equity/refinancing lenders

during the term of recapture. It is the City's policy that any subordination request from a lender will not be considered until such time that complete documents describing loan amounts, terms, interest, and purpose of the loan are submitted to the Grants Administrator. After review, the Grants Administrator will meet with the homeowner to verify the accuracy of the information submitted and the homeowner's understanding of the need of the proposed transaction, as well as to discuss the impact on total housing costs long term.

Loan subordination will only be granted when the refinancing results in a fixed rate, lower monthly payment. Loan subordination will not be allowed under any circumstances for a cash-out refinancing. The Grants Administrator may deny a request for subordination under any circumstances. As an alternative, the Grants Administrator may recommend approval of the subordination documents where it will reduce the overall monthly housing cost to the homeowner. Exceptions to this will be considered on a case-by-case basis and will typically consist of an emergency situation or a suitable use of equity such as college tuition or long-term care for an elderly family member.

In refinancing situations where Program loans are paid off, any program income received by the City will be returned to ADOH.

Rehabilitation Process

During the initial qualification meeting, the homeowner is made aware of each step of the process and the details for each step.

1. The Housing Program Inspector will conduct an initial inspection of the property.
2. A mandatory walk-through with the potential bidders will take place.
3. The Scope of Work is prepared and sent out to bid.

After the bid is awarded, a pre-construction conference is held between the Housing Program Inspector, Grants Administrator, the Contractor, and the homeowner(s). A contract between the City and the contractor is signed by the contractor during the pre-construction conference, and a contract between the homeowner(s) and the contractor is also signed during this meeting.

1. An interim inspection will occur when the job is at fifty percent (50%) completion. An additional interim inspection will be performed, if necessary.
2. A final inspection will occur when the job is completed.

Warranty issues will be discussed in each individual home rehabilitation case. Warranties will be in accordance with applicable Arizona State Statutes.

Rehabilitation Standards

All work must adhere to the International Residential Code as adopted by Lake Havasu City at a minimum as the housing rehabilitation standard. The scope of work must comply with the Uniform Building Code ("UBC"), the Housing Quality Standards, and

Lake Havasu City Zoning and Fire Codes.

In addition, energy conservation measures and abatement of hazardous materials (i.e., Lead Based Paint) as prescribed by HUD, including, but not limited to State adopted HUD Lead Based Paint Regulations, are also included in the scope of work. A copy of the lead hazard information pamphlet informing of the potential risk of the lead hazard exposure from renovation activity to be performed in a dwelling unit is provided to homeowners before the work begins.

Improvement of on-site sanitary systems is also included when, in the opinion of the Grants Administrator, the repairs are to remedy health and safety issues and are not normal maintenance requirements.

Increased Energy Efficiencies and Energy Star Requirements and Green Technologies

All housing projects will incorporate energy efficiency with the following requirements:

- All projects are to be weatherized in accordance with the Arizona Governor's Office of Energy Policy Weatherization Standards. All weatherization work is to be completed by Building Performance Institute, Inc. ("BPI") certified weatherization professionals.
- Use of low volatile organic compound ("VOC") paint.
- Water heaters replaced by solar units in households that have the financial means to support the maintenance.
- Replacement of HVAC systems to higher efficiency Energy Star 14 seer or higher.
- Mitigation of air leaks in air delivery systems.
- Installation of low flow water saving devices, such as toilets and shower heads.
- Use of compact fluorescent light ("CFL") light bulbs.
- Window replacement with energy star rated low-e tinted dual pane windows.
- Appliance replacement must meet energy star requirements.

Lead Based Paint Procedures

The following is in accordance with the Final HUD Regulation on Lead Based Paint, published September 16, 1999, Subpart J – Rehabilitation, as amended, for projects in which federal assistance is obligated on or after September 15, 2000.

1. All homeowners will be provided with the Environmental Protection Agency ("EPA") Pamphlet "Renovate Right: Important Lead Hazard Information for Families, Child Care Providers, and Schools." **Note:** As recommended by HUD, staff will obtain written acknowledgment from each household receiving the brochure.
2. If it is determined that rehabilitation work will disturb a painted surface, the Housing Program Inspector will conduct paint testing or presume the presence of lead-based paint.

3. In cases where evaluation or hazard reduction are undertaken as a part of the rehabilitation, the Housing Program Inspector will provide a notice to the homeowner in accordance with 24 Code of Federal Regulations (“CFR”) 35.125.
4. In cases where Lead Based Paint is determined or anticipated to be present, the Housing Program Inspector may either choose standard treatment methods followed by clearance as outlined in Subpart J of the Final Rule (“Rule”) or perform a risk assessment in accordance with 24 CFR 1320(b) and interim controls in accordance with 24 CFR 1330.

Structure and Building Requirements

The 2017 finalized HUD Lead-Safe Housing Rule (24 CFR Part 35) pertains to housing for which construction was completed prior to January 1, 1978, and is applicable to projects that receive Federal Housing assistance (including but not limited to CDBG and HOME). If the property is subject to the Rule, then the standards apply to the interior and exterior of the entire residential structure, including all residential units (whether or not assisted) and shared or common areas and egresses, and any outbuildings including garages, that are used by the residents. The entire property is also subject to soil standards as risk assessment standards apply.

Housing Maintenance Counseling

The Housing Program Inspector and the contractor will review maintenance requirements with the homeowner during the final inspection. This is to ensure that the homeowner(s) understands all maintenance procedures required for all equipment that was replaced. The homeowner(s) will acknowledge that it is his or her responsibility to ensure that all maintenance procedures are followed. The contractor will provide all warranties with any additional instructions at that time.

Homeownership Education

The City provides housing education to all the homeowners participating in the Program. Housing guidance is essential in order to educate the homeowner(s) about taxes, the importance of timely mortgage payments, insurance, warranties, available services, and the responsibilities of being a homeowner.

Procurement Process

The City’s current Procurement Code will be followed as long as it is the same or more restrictive than the Arizona Department of Housing’s Procurement, Contracts & Acquisition Handbook. The Grants Administrator keeps an updated list of qualified (non-barred, license/bond verified with Registrar and Insurance) contractors, who are notified in writing via email of any bid invitation.

New contractors are invited to submit an application to be on this list. The Grants Administrator, prior to the bid opening and award and to protect the homeowner and the

Program from any liabilities, lack of warranties, or poor workmanship, will verify all information in the application.

On a scheduled day and time that works for the Housing Program Inspector and the homeowner, there will be a contractor walk-through to inspect the house prior to bid. These are scheduled with the intent of having the homeowner present.

The Program may advertise more than one dwelling for bid at a time, depending on caseload. Contractor selection will be made to the lowest responsible bidder for each job. If the homeowner has a reasonable objection to the selected contractor, the Grant Administrator retains the right to select another contractor. There will be a contract between the homeowner and the contractor, and a contract between the City and the contractor. If the homeowner requests a contractor different from the lowest bidder, the homeowner will be responsible for any difference in cost.

The Program does not allow the homeowner to perform any scope of work. The intent of this restriction is to avoid any question or misinterpretation of warranty items and workmanship warranty in future "call back" notices. The contractor is made responsible for any damage, theft of materials, etc., at the house until the house is completed. Therefore, any labor provided by other than those for which the contractor is responsible is not allowed.

All contractors hired through this Program will be bonded and licensed by the Arizona State Registrar's Office. All contractors must not be included on the Federal Excluded Parties List located at: www.sam.gov.

The homeowner and contractor will sign a Contractor's Agreement prior to the work being started and a Final Inspection Form when the work is completed. This will ensure that all parties are aware of exactly what is being completed and that it was completed as described in the scope of work.

Property Inspections

Initial, interim, and final inspections will be performed by a Housing Program Inspector to ensure that all work complies with the scope of work and code and that all necessary permits are obtained.

Change Orders

A change order may be requested by the contractor for circumstances which were not included in the original scope of work due to unforeseen safety or code violations. The contractor must have written approval from the Grants Administrator before undertaking any change order work, and the homeowner(s) must agree to the items changed with their signature. The Grants Administrator must approve all change orders. The homeowner must be informed of any changes to the contract or other problems encountered during the rehabilitation work. Change orders that exceed twenty-five percent (25%) of the original contract amount in aggregate shall be rebid by the

procedures described in this guideline, unless approved by the Grants Administrator as a program requirement, safety issue, or to increase energy efficiencies.

Method of Compensation

The City shall retain ten percent (10%) of the amount of each payment to the contractor until final completion and acceptance of all work covered by the contract documents. Also required prior to payment is the contractor's invoice, lien release from the contractor, and inspection by the Housing Program Inspector. All unconditional finals for all subcontractors must be received by the Grants Administrator before final payment is issued.

Complaint / Grievance Procedure

The City has adopted an internal Complaint/Grievance Procedure providing for the prompt and equitable resolution of complaints or grievances concerning the application for and implementation of Housing Rehabilitation activities. All complaints shall be handled in accordance with the City's adopted procedure, which includes written submission requirements, defined timelines, administrative review, and appeal rights.

Staffing Structure

Grants Administrator

The Grants Administrator is responsible for the following:

- Application intake and income and homeownership verification.
Reporting procedures and for the maintenance of all case files.
- Maintaining a progress chart on each dwelling under construction, managing each project, and tracking each project.
- Reviewing and finalizing all scopes of work.
Holding pre-construction conferences.
- Reporting progress to funding sources, as well as City Administration as required.
- Approving change orders and completed work approvals, as well as reviewing the budget for each project and reviewing the reimbursement requests.
- Preparing and submitting all performance reports to the Arizona Department of Housing, including, but not limited to family and contractor profiles (minority, handicap, etc.), and for the maintenance of a current log of all properties that have participated in the Program.
- Preparing and submitting all closeout reports.
- Handling all audits.
- Ensuring the City Attorney has reviewed all contracts signed by the City Manager and submitting contracts to the City Clerk's office.
- Preparing all required Resolutions and Council Communications.
- Holding all required public hearings.
- Preparing all grant applications.

Housing Program Inspector

Inspections are performed by a Housing Program Inspector. The Housing Program Inspector also prepares the scopes of work.

Contractors

Contractors are selected based on the lowest, responsive bidder.

Financial Management

- The Administrative Services Director approves expenditures for each CDBG Funding Agreement.
- The City's Accounts Payable are responsible for disbursement of funds for each CDBG Funding Agreement.
- The Accountant is responsible for maintaining CDBG financial records.

Conflicts of Interest

A conflict of interest must be disclosed in accordance with the City's Policies and Arizona Revised Statutes ("A.R.S.") §§ 38-504 & 505. The continuing requirement to disclose serves to inform the City and, at the same time, protects the employee from the harmful effects of any subsequent revelation of activities, associations, or interests that might constitute a prohibited conflict of interest.

Forms

The forms used in the Program include the following:

- Application
- Relocation Procedure
- Property Inspection Checklist
- Bid Procurement Policy
- Work Write Up
- Loan Documents
- Homeowner / Contractor Contract
- Lead Based Paint Documents
- Client Contact Sheet
- Complaint / Grievance Procedure
- Verification of Income and Ownership
- Environmental Review Record ("ERR")
- Final Inspection Form
- City Contract with Contractor