

ATTACHMENT A

LAKE HAVASU CITY
HOUSING REHABILITATION GUIDELINES
DATED: 12/30/2016

GOALS:

The goal of this housing rehabilitation program is to benefit very low, low, and moderate-income families within Lake Havasu City limits in upgrading their living conditions and provide stabilization to our community neighborhoods.

To improve and preserve the quality and appearance of the housing stock and the overall environment of the community.

Lake Havasu City does not discriminate on the basis of race, color, sex, national origin, familial status, religion or disability. Reasonable accommodations shall be considered when requested in writing at least 48 hours in advance of the need. Lake Havasu City shall affirmatively further fair housing by means of notifying the public through fair housing posters, passing an annual Resolution in support of Fair Housing and the use of the Fair Housing Logo in key public program promotional materials.

Objectives:

1. To secure a variety of funding sources to allow the implementation of a comprehensive rehabilitation program to bring all eligible properties into compliance with all adopted City codes.
2. To bring code enforcement activities in conjunction with rehab services as an educational process to remove health and environmental hazards and to promote cleanliness and pride of ownership.

Eligibility Requirements:

1. The property to be rehabilitated must be located within the city limits.
2. The property must be owner occupied and owner must certify the home is the primary residence.
3. Ownership may be verified using a preliminary title search depending on funding source; a deed alone may not suffice.
4. Property must be free of liens or encumbrances that unduly restrict the marketable ownership interest.
5. The program will assist very low, low, and moderate-income persons, elderly, disabled, single head of household, families with children, and all others within the

city limits without regard to their race, creed, gender, sexual orientation, gender identity, color, religion, mental or physical disability, familial status, or national origin.

6. Total household income must not exceed 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.
7. 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.
8. Owner must be current with their mortgage (if applicable), taxes, water/wastewater/trash bill and sewer loan, if applicable.
9. Owner must carry home owners' insurance.
10. This program is established to improve housing quality throughout the community by making health and safety repairs to homes of very low, low, and moderate-income individuals. This program will follow the building codes adopted by the City Council as well as meet the requirements of the Housing Quality Standards. The Grants Administrator will note in each file when deficiencies in the dwelling are discovered beyond the scope and funding limits of this program. The funding limit under this program is \$50,000 unless otherwise determined by the Grants Administrator.

Level of Rehabilitation and Types of Assistance:

1. The maximum investment amount to any one recipient is \$50,000; however, the Grants Administrator may authorize expending more than the maximum amount for any one recipient pursuant to appropriate City Council approval.
2. 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.
3. Property conditions and repair options will be evaluated on a case-by-case basis during the application process.
4. 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 Assessors records and adding the cost of rehabilitation to that amount.

5. Repairs to commercial properties will not be considered.

Type of Assistance:

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:

• 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:

• 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:

• 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%

The loan will be repayable under the following conditions:

- If the homeowner moves and does not use the home as his/her principal residence and/or rents the home, Lake Havasu City may call the loan due and payable within thirty days. Lake Havasu City may waive this requirement in a hardship case and reserves the right to make such decisions on a case-by-case basis.
- If the title of the property changes after work is completed.
- The loan may be forgiven upon the death of a sole owner-occupant beneficiary or in the case of a catastrophic event such as complete and total loss due to fire.

Marketing:

The Housing Program in Lake Havasu City 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 undertaken and ongoing until the application deadline date for application intake. The deadline date will allow review time for all submitted applications and response to each application. Vehicles for marketing will be:

- Radio announcements within Lake Havasu City limits.
- Advertisements and news articles will be placed in the News-Herald.
- 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 to the general public at scheduled public hearings held prior to any application for funds submitted. Persons with disabilities or special language needs will be accommodated upon request.

Application Process:

The Grants Administrator is responsible for the application process. Applicants are recertified if more than 6 months elapses prior to receiving services.

Disabled individuals have access to the offices via remote operated doors and elevators. If needed, the Grants Administrator will visit the home to obtain all necessary information.

Typically, the initial inquiry is via telephone (administrative staff calls the homeowner after receipt of the grant application). A pre-screening process during the phone conversation is initiated to determine preliminary eligibility:

- a) low-mod income and owner occupancy,
- b) 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 involved,
- c) property must be located within city limits, and
- d) homeowner must be current with their mortgage, property taxes, water/wastewater/trash bill, sewer loan and homeowners' insurance.

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

For non-English speaking persons, we arrange a time for an in-person meeting or a conference call with a bilingual City employee to interpret.

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. Keeping the information in locked files in the Grants Administrator's office will ensure confidentiality. The Grants Administrator will verify all income via statements from the Social Security Office, Veteran's Administration, Employer's V.O.E.s, check stubs, tax forms, etc. Third party verification should be used whenever possible.

The Grants Administrator will also verify ownership by checking County Assessor's records.

Income: All wages, financial assistance from Social Security, Veteran's Administration, Arizona Department of Security, alimony, child support, unemployment, and any other income from any other source.

Family/Household: All persons occupying the house including, but not limited to, permanent extended family.

Prior to the formal application being approved, two eligibility determinations are made.

1. Family: based on income and home ownership.
2. Property: feasible for rehabilitation

Once the homeowner has provided all income and homeownership documentation, the Grants Administrator will scan the homeowner's grant application and send it to Mohave County via email within 72 hours. Mohave County will then schedule an initial inspection of the property within two weeks of receipt of the homeowner's grant application.

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. This is normally done in person with the homeowner and followed-up in writing.

City Council adopted a Residential Anti-Displacement and Relocation Assistance Plan. However, no relocation is anticipated in the homes that are assisted by Lake Havasu City.

Waiting List:

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. Veterans
2. Disabled
3. Elderly
4. Single, head of household
5. Families with children
6. Previous grant recipients
7. All others

Rehabilitation Standards:

All work must adhere to the 2012 International Residential Code at a minimum as the housing rehabilitation standard. The scope of work must comply with all Uniform Building Code ("UBC"), as well as the Housing Quality Standards, Lake Havasu City Zoning Code, and the Fire Department Codes.

In addition, energy conservation measures and abatement of hazardous materials (i.e., lead based paint) as prescribed by HUD including and not limited to State adopted HUD Lead-Base 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 are 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.

A Housing Program Inspector will conduct the inspections to determine the actual repairs that will be completed at the home. The Grants Administrator will then discuss with the homeowner(s) the needed repairs and complete the work write-up that identifies the repairs to be completed.

A Work Write-up for each home will be developed after each evaluation.

During the initial interview, the homeowner is made aware of each step of the process, and the details for each step. For example:

1. The Housing Program Inspector will conduct an initial inspection of the property.
2. The work write-up is prepared and sent out to bid.
3. After the bid is awarded, a pre-construction conference is held between the Housing Program Inspector, Grants Administrator, the Contractor and the homeowner. The contract between the City and the contractor is signed by the contractor during the pre-construction conference. The contract between the homeowner and the contractor is also signed during this meeting.
4. An interim inspection will occur when the job is at 50% completion.
5. A final inspection will occur when the job is completed.

Warranty issues will be discussed in each individual home repair case. Warranties will be in accordance with the Arizona State Contractor's law.

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 changed out for 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

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) has an understanding of all maintenance procedures required for all equipment that was replaced. The homeowner 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 Maintenance Education:

Lake Havasu City provides housing education to all the homeowners participating in the HOME/CDBG Owner Occupied Housing Rehabilitation 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:

Lake Havasu City’s current Procurement Code will be followed as long as it’s the same or more restrictive than 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.

Walk Thru: On a scheduled day and time that works for the Housing Program Inspector and the homeowner, there will be a contractor’s walk thru to inspect the house prior to bid. These are scheduled with the intent of having the owner 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, staff 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 rehabilitation 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 damages, 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 Work Write-up.

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 work write-up 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 customer must agree to the items changed with their signature. The Administrative Services Director and 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 25% of the original contract amount in aggregate shall be rebid by the procedures described in this guideline unless approved by Grants Administrator as a program requirement, safety issue, or to increase energy efficiencies.

Method of Compensation:

Lake Havasu City shall retain ten (10) percent of the amount of each payment 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:

Lake Havasu City adopted an internal grievance procedure providing for prompt and equitable resolution of complaints or grievances concerning all aspects of the application for and implementation of Housing Rehabilitation activities for homeowners, vendors, and contractors. Complaints/grievances concerning Housing Rehabilitation activities should be addressed to the Grants Administrator. All complaints/grievances should be filed in writing, contain the name and address of the person filing it, and briefly describe the alleged violation of the issue of non-compliance. This complaint should be filed within thirty (30) calendar days after the complainant becomes aware of the alleged issue of non-compliance. A review and investigation as may be appropriate will follow. A written determination will be forwarded to the complainant no later than fifteen (15) business days after its filing. The City Manager will issue this determination.

The complainant may request a reconsideration of the case in instances where he or she is dissatisfied with the complaint resolution. The request for reconsideration should be made in writing within fifteen (15) calendar days of receipt of the initial response and should be directed to the City Manager. The City Manager will issue a written determination in response to the request for reconsideration no later than fifteen (15) business days after its filing.

Any complainant, who is dissatisfied with the determination resulting from the administrative review process, may file an appeal. The appeal should be made in writing directed to the Lake Havasu City Council. The complaint/grievance shall be placed on the agenda of the next available regular meeting or special meeting of the Council to be held within fifteen (15) business days following receipt of the appeal. The decision of the Lake Havasu City Council shall be final.

The right of a person to a prompt and equitable resolution of the complaint/grievance filed hereunder will not be impaired by the complainant's pursuit of other remedies such as filing a complaint with the appropriate state or federal department or agency. Use of this complaint/grievance procedure is not a prerequisite to the pursuit of other remedies.

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 for projects in which federal assistance is obligated on or after September 15, 2000.

1. All families will be provided with the Environmental Protection Agency (“EPA”) Pamphlet “Renovate Right: Important Lead Hazard Information for Families, Child Care Providers, and Schools.”
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 family 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 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 Rule 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.

Notification:

In Lake Havasu City's attempt to raise the level of awareness of the dangers of Lead Based Paint exposure, staff will assure that all occupants, and owner-occupants of all homes being assisted by the Housing Rehabilitation Program, (regardless if date built), will receive the brochure “Renovate Right” issued by EPA, HUD, and the Consumer Product Safety Commission (CPSC). **Note:** As recommended by HUD, staff will obtain written acknowledgment from each household receiving the brochure.

Staffing Structure:

Grants Administrator:

The Grants Administrator is responsible for application intake and income verification.

The Grants Administrator is responsible for reporting procedures and for the maintenance of all case files.

The Grants Administrator maintains a progress chart on each dwelling under construction, manages each project and tracks each project.

The Grants Administrator reports progress to funding sources, as well as City Administration as required.

The Grants Administrator is also responsible for approving change orders and completed work approvals.

The Grants Administrator is also responsible for 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 current log of all properties that have participated in the Rehabilitation Program.

Housing Program Inspector:

Inspections are performed by a Housing Program Inspector.

Contractors:

Contractors are selected based on being the lowest bidder.

Financial Management:

The Administrative Services Director approves expenditures for each CDBG Funding Agreement.

The Administrative Technicians in 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 Operating Policies and Procedures ("OPP") 1.11 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.

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 Records office for recording. This may be done by the Title Company or the Grants Administrator. Recorded copies are returned to the City and a copy is given to homeowners and one is placed in the file.

Loan Servicing Procedures – Lake Havasu City offers Deferred, Forgivable loans that do not require repayment as long as the homeowner maintains the property as their main residence and meets the State Housing Rehabilitation Standards. If a property changes title, the deferred amount of the loan is due and payable to Lake Havasu 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. The Grants Administrator is responsible for ensuring that all loan documents are prepared, signed, notarized, and recorded with the Mohave County Records office.

Program Income – It is not the intention of Lake Havasu City to generate program income from the deferred forgivable loan program. It is the City's intention to assist citizens through the housing rehabilitation 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, a check made payable to the Arizona Department of Housing is issued and mailed.

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. The City's homeowner education/counseling program includes warnings regarding predatory lending practices and protecting the equity in your home in an effort to increase the homeowner's knowledge regarding any future transactions.

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 allowed 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 disallow subordination under any circumstances. As an alternative, the Grant Administrator may recommend approval of the subordination documents where it will reduce the overall

monthly housing cost to the family. 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 our loans are paid off, any program income received by the City will be returned to the Arizona Department of Housing.

Forms

All forms used in the Lake Havasu City Housing Rehabilitation program are reflected under Attachment A. These forms 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