# General & program guidelines

# Homeowner Rehabilitation Program Implementation Tool #2

**Description:** As part of the *Disaster Recovery Homeowner Rehab Program Design and Implementation Toolkit*, the Homeowner Rehabilitation Program Guidelines can be used as a sample set of State policies and procedures for a CDBG-DR grantee to adopt and adapt for their own purposes. The document provides both a general set of guidelines for disaster recovery housing programs (Part A) and specific information for a homeowner rehabilitation program (Part B). Although the template relies on state information, many elements may be useful for a city or county running a CDBG-DR homeowner rehabilitation program.

**Modification of Source Documents Provided by:** State of Texas, General Land Office

**Caveat:** This is an informational tool and/or template that should be adapted to each grantee’s specific program design.

**For More Information**

This resource is part of the [*Disaster Recovery Homeowner Rehab Program Design Toolkit*](https://www.onecpd.info/resource/2855/disaster-recovery-homeowner-rehabilitation-program-toolkit). View all of the Disaster Recovery Toolkits here: <https://www.onecpd.info/resource/2853/cdbg-dr-toolkits>.

For additional information about disaster recovery programs, please see your HUD representative.

This is not an official HUD document and has not been reviewed by HUD counsel. It is provided for informational purposes only. Any binding agreement should be reviewed by attorneys for the parties to the agreement and must conform to state and local laws.

U.S. Department of Housing and Urban Development

Community Planning and Development, Disaster Recovery and Special Issues Division

# HOMEOWNER REHABILITATION PROGRAM GUIDELINES

The guidelines were developed to serve as the basis for State-run Disaster Recovery housing programs. The guidelines consist of General Guidelines (Part A) which were developed to provide direction for issues that affect all of state-run disaster housing programs, and Homeowner Rehabilitation (aka Rehab) Guidelines (Part B).

The General Guidelines describe a state that is offering a continuum of housing programs – from single and multi-family rehab to new construction to demonstration projects such as the Homeowner Opportunity program. In most cases, eligible jurisdictions could apply to the State requesting funding for a mix of housing program, as evaluated via data and specified criteria.

## PART A – GENERAL PROGRAM GUIDELINES

### I. PROGRAM OBJECTIVES

The primary focus of this Program is to provide relief for those people impacted by disasters while addressing recognized impediments to affirmatively furthering fair housing as required under the Fair Housing Act. Assistance will be provided under a variety of housing activities including acquisition, rehabilitation, reconstruction, new construction, demolition, elevation, hazard mitigation, and storm hardening of homeowner and rental housing units.

1. The primary objective of the Program is to provide decent, safe, and sanitary housing in the disaster-impacted areas through the provision of activities designed to mitigate damage that occurred as a result of this, as well as any future disaster.
2. A second objective is to ensure that the housing needs of very low, low and moderate-income households are assisted with housing in no less than the proportion to the relative percentages of the overall populations which suffered housing damage within the communities being served.
3. A third objective is to prioritize the provision of decent, safe and sanitary housing for elderly and disabled populations with an emphasis on housing choice and design to reduce maintenance and insurance costs as well as provide for the provision of independent living options.

### II. DEFINITIONS

***Rehabilitation*** – Repair or restoration of housing units in the disaster-impacted areas to applicable construction codes and standards.

***Reconstruction*** – Demolition and re-building of a stick-built or modular housing unit on the same lot in substantially the same footprint and manner. Activity also includes replacing an existing substandard manufactured housing unit (MHU) with a new or standard MHU or stick- built/modular housing unit. The number of units on the lot may not increase and the total square footage of the original, principal residence structure to be reconstructed may not be substantially exceeded; however, the number of rooms in a unit may be increased or decreased.

***New Construction*** – A replacement home that substantially exceeds the original footprint on the existing lot (if permitted) or the construction of a new home in a new location.

***Demolition*** – Clearance and proper disposal of dilapidated buildings and improvements.

***Homeowner Opportunity Program (HP)[[1]](#footnote-2)*** – A Disaster Recovery Housing Demonstration Program through which income-qualified applicants who live in jurisdiction-determined areas or areas of high minority and/or poverty concentration may elect to rehabilitate or reconstruct their existing home.

***Homeowner Assistance Activity*** – The utilization of CDBG-DR funding to rehabilitate or reconstruct disaster -damaged homes in order for the applicant to remain in the original home at the original home site. The home to be assisted must have been owner-occupied at the time of the storm.

***Homebuyer Assistance Activity*** – The utilization of CDBG Disaster Recovery funding for up to 100% of the required down payment, reasonable closing costs, principal write-down assistance, subsidization of interest rates, and private mortgage insurance to facilitate the purchase of a new or existing home.

***Acquisition*** – The utilization of CDBG funds to acquire real property. Acquisition-only is typically not considered a complete activity in the Program and must be combined with another eligible use (i.e. new construction).

***Rental Activity*** – Acquisition, rehabilitation, or construction of affordable rental housing resulting in structures where at least 51% of units are occupied by LMI persons. Income and rent restrictions apply to the rental units to be built or assisted with CDBG funds.

***Program Design*** – The selection and development of programs and activities based on a Needs Assessment. The Program Design must include the type of housing activities that will be offered by the subrecipient, as well as how the Program will be marketed, how Fair Housing Objectives will be achieved, and how funding will be prioritized as determined through the Needs Assessment.

***Low to Moderate Income (LMI) National Objective*** – Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with 24 CFR Part 5 requirements using procedures as stated in the Technical Guide for Determining Income and Allowances, 3rd Edition (HUD-1780-CPD). The most current income limits, published annually by HUD, shall be used by the subrecipient to verify the income eligibility of each household applying for assistance at the time assistance is provided.

Very low: Household’s annual income is up to 30% of the area median family income, as determined by HUD, adjusted for family size

Low: Household’s annual income is between 31% and 50% of the area median family income, as determined by HUD, adjusted for family size

Moderate: Household’s annual income is between 51% and 80% of the area median family income, as determined by HUD, adjusted for family size

***Slum and Blight National Objective*** – Activities which help to eliminate slums and blighted conditions. Use of this National Objective is limited due to its inability to contribute towards the overall requirement for {Insert percentage, based on regulations per appropriation. If no requirement is given, refer to CDBG rules}% of funding to benefit low to moderate- income beneficiaries. It must be justified in the application for funding and the restrictions of its use will be expressly detailed in the contract between the DR grantee and the subrecipient. Slum and Blight activities must meet the criteria of one of the three following categories:

Prevent or eliminate slums and blight on an area basis;

Prevent or eliminate slum and blight on a spot basis; or

Be in an urban renewal area

***Urgent Need National Objective*** – An urgent need that exists because existing conditions pose serious and immediate threat to health/welfare of community, the existing conditions are recent or recently became urgent (typically within 18 months), and the subrecipient cannot finance the activities on its own because other funding sources are not available.

***Duplication of Benefits[[2]](#footnote-3)*** – The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of a loss resulting from a major disaster as to which he has already received financial assistance under any other program or from insurance or any other source.

***Individual Mitigation Measures (IMM)*** – Activities designed to mitigate and/or reduce risk beyond the pre-disaster condition of a housing unit when the activities are above and beyond federal, state, or local construction or code requirements. In accordance with HUD's guidance, repair and rehabilitation of housing units, and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevation above the base flood elevation level, or the addition of storm shutters, disaster proof windows, roof straps, etc. as long as those improvements are not required to comply with local code requirements and did not exist on the housing unit prior to the disaster damage.

***Subrecipient[[3]](#footnote-4)*** – Cities, Counties, Indian Tribes, local governmental agencies (including COGs), private non-profits (including faith-based organizations), or a for-profit entity authorized under 24 CFR 570.201(o). The definition of subrecipient does not include procured contractors providing supplies, equipment, construction, or services, and may be further restricted by Program Rules or other guidance including applications.

***Family*** – A household composed of two or more related persons. The term family also includes one or more eligible persons living with another person or persons who are determined to be important to their care or wellbeing, and the surviving member or members of any family described in this definition who were living in a unit assisted under the HOPWA program with the person with AIDS at the time of his or her death.

***Household*** – A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two (2) or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the low to moderate income objective is based on the LMI of households.

***Manufactured Housing Unit (MHU)*** – A structure, transportable in one or more sections which, in the traveling mode is eight body-feet or more in width, or forty body-feet or more in length, or when erected on site, is at least 320 square feet, and which is built on a permanent chassis and is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

***Modular Housing*** – A home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

***FEMA-Designated High Risk Area***: Areas designated by FEMA as vulnerable to significant wind and/or storm surge damage and areas located in 100-year flood zones. These areas will be identified during the environmental review process for each participating jurisdiction.

***Area of High Minority Concentration*** – A census block group that consists of 65% or more of minorities. Minorities include all racial and ethnic population groups other than “White, non- Hispanic (Anglo).

***Area of High Poverty Concentration*** – A census block group that consists of 35% or more of the residents living in poverty. A household that meets the US Census Bureau’s poverty threshold is considered to be at or below poverty level for the Disaster Recovery Program.

### III. EVALUATION OF DATA

In order to develop the Program Design for all activities offered through this funding, each subrecipient must use qualified data (HUD/FEMA data used to allocate the disaster funding, current FEMA data, data used to support the litigation involving FEMA undercounts in the impacted area, or other data, as approved.

Qualified data will be used to document the impact of the relevant disaster on the economic LMI subcategories and to assist the subrecipient in developing the plan for targeting the use of those funds, in the appropriate levels, to the appropriate economic categories.

The method of data evaluation utilized by the subrecipient (i.e., class distribution categories by income, raw number of homes impacted versus the aggregated dollar amounts impacting communities, etc.) must be made available to the public for fifteen days on a publicly accessible website. Notice of the posting of the method of review must be provided to the DR grantee not later than the day the method is posted on a website.

If any public comment is made, the subrecipient must address the comment in a public response.

Once the method of interpretation of the data has been vetted publicly and adopted by the subrecipient, the subrecipient should program the use of the funds. The data evaluated should provide targeted classes that will be used to develop the program and its marketing components.

Persons with accessibility or other special needs adaptations should also be analyzed as part of the process.

### IV. USE OF PRIOR APPLICATIONS

Prior applications may be considered if they are within the designated targeted areas. This program is not intended to be a first-come-first-served program and therefore persons who have already applied under prior funding amounts do not have a prior claim to be included in the program.

Prior applications will need to be reviewed to ascertain whether they qualify under the new program guidelines. As this program is not a continuation of other programs, applicants must be re-qualified.

### V. TARGETING COMMUNITIES

Once the most impacted areas/income brackets have been developed, the subrecipient must establish a process to ensure the LMI categories required by the State are met. Subrecipients may provide an additional amount of funds to the lowest income levels if desired.

As called for in Part A of the General Program Guidelines, an affirmative marketing plan to conduct outreach to the impacted communities is required in order to apply for the disaster recovery program. The outreach program developed should be approved in advance by the DR grantee or, in the alternative, posted for 15 days for comment on a publicly accessible website with notice to the DR grantee that the plan has been made public. Public comments made should be addressed prior to utilization of the plan.

### VI. PROGRAM REQUIREMENTS

1. All housing activities must meet one of the three National Objectives required under the authorizing statute of the CDBG program:

Benefit Low to Moderate Income (LMI) persons;

Aid in the prevention or elimination of slums or blight (Slum and Blight); and

Meet a need having a particular urgency (Urgent Need).

1. Subrecipient must conduct a Needs Assessment to determine the types of programs it will offer and the Needs Assessment will become the basis for Program Design. The Needs Assessment will determine the activities to be offered, the demographics to receive concentrated attention and the target areas to be served. The subrecipient must demonstrate how the programs and activities selected for those areas will overcome the identified impediments to fair housing.
2. Subrecipient’s obligations are as follows:
3. The Disaster Recovery grantee’s proposed subrecipient performance standards will require that within a period of no more than eighteen months from the date of commencement of the Program, which is the start (effective) date of the contract between the grantee and the subrecipient, each subrecipient will have identified sufficient eligible beneficiaries such that the subrecipient will be able to provide reasonable assurance that the subrecipient will be able to expend all applicable funds within grantee-established benchmarks.
4. The Needs Assessment and analysis of HUD/FEMA demographic disaster victim data will dictate the proportions of funding that must be set aside to benefit each LMI economic group. Original FEMA data is not sufficient alone and must be adjusted with other eligible sources of data. Factors for this adjustment should be supplemented by local studies and litigation where available as well as HUD allocation formulas which add a “challenge to recover” factor to FEMA and SBA data. The DR grantee will assist the subrecipient with the analysis and provide applicable raw data.
5. Applicants applying for disaster assistance are processed by the subrecipient and must meet certain eligibility standards to qualify for assistance. Eligibility standards are further discussed in the activity-specific housing guidelines.
6. All sites must undergo a complete environmental review prior to any commitment of funds. An environmental review consists of a statutory checklist of required review items. Properties with environmental conditions will not be permitted to proceed under housing activities unless the condition is corrected. No work can start on a site until the environmental assessment is complete.
7. For assistance activities, it must be demonstrated that the damage or destruction to structures was a direct result of disaster. Disaster damage can be documented as follows:
8. FEMA, SBA or Insurance award letters.
9. In the event that the above-referenced documentation is not available, an inspection report (complete with photos of the damage and a written assessment of the damage) from a damage assessment conducted by a qualified inspector supplied by the subrecipient that certifies that the damage occurred as a result of the disaster will be acceptable.
10. In the event that FEMA, SBA or Insurance award letters are not available and an inspection report is inconclusive as to the cause of the damage, the subrecipient may provide alternative evidence, such as neighborhood-level media reports or documentation of damage by disaster response/relief organizations on a case-by-case basis to the DR grantee for review and approval.
11. If an applicant was denied assistance by FEMA, assistance through the CDBG Disaster Recovery Program may still be available. Subrecipients are prohibited from refusing housing assistance to applicants solely on the basis that the applicants were denied assistance by FEMA.

### VII. SIZE OF UNIT

HUD guidelines provide occupancy policies that allow for two persons per bedroom as reasonable. Exceptions to this standard are based on the following factors:

1. No more than two persons are required to occupy a bedroom.
2. Persons of different generations (i.e. grandparents, parents, children), persons of the opposite sex (other than spouses/couples), and unrelated adults are not required to share a bedroom (An adult is a person 18 years old or older).
3. Couples living as spouses (whether or not legally married) must share the same bedroom for issuance size purposes.
4. A live-in aide who is not a member of the family is not required to share a bedroom with another member of the household. Note: The need for a full time live-in aide must be documented. A waiver may be approved as outlined in the section on Issuance Size Exceptions.
5. Individual medical problems (e.g. chronic illness) sometimes require separate bedrooms for household members who would otherwise be required to share a bedroom. Documentation supporting the larger sized unit and related subsidy must be provided and verified as valid. A waiver may be approved as outlined in the section on Issuance Size Exceptions.
6. In most instances, a bedroom is not provided for a family member who will be absent most of the time, such as a member who is away in the military. If individual circumstances warrant special consideration, a waiver may be approved as outlined in the section on Issuance Size Exceptions.

G. When determining family issuance size, include all children expected to reside in the unit in the next year as members of the household. Examples include, but are not limited to, the following:

1. Adoption: Children who are in the process of being adopted are included as members of the household.
2. Pregnant women: Children expected to be born to pregnant women are included as members of the household.
3. Foster Children: Foster children residing in the unit along with families who are certified for foster care and are awaiting placement of children are included as members of the household. If children are anticipated to occupy the unit within a reasonable period of time, they must be considered when determining the issuance size.
4. Joint/Shared Custody Arrangements: In most instances children in joint/shared custody arrangements should occupy the unit at least 50% of the time. However if individual circumstances merit special consideration, a waiver may be approved as outlined in the section on Issuance Size Exceptions. The custody arrangement may be verified by the divorce decree/legal documents or by self-certification.
5. Custody of Children in Process: Children whose custody is in the process of being obtained by an adult household member may be included as members of the household. Evidence that there is a reasonable likelihood that the child will be awarded to the adult (i.e. within three months) must be provided in order for such child to be included.
6. Children Temporarily Absent from Household:
7. Children temporarily absent from the home due to placement in foster care may be included as members of the household. Evidence that there is a reasonable likelihood that the child will return to the household (i.e. within three months) must be provided in order for such child to be included.
8. Children who are away at school, but live with the family during school recesses are included as members of the household.

### VIII. AFFIRMATIVE MARKETING PLAN

Local jurisdictions administering the CDBG-DR Program are committed to affirmatively furthering fair housing through established affirmative marketing policies. Affirmative marketing efforts for the disaster funding will include the following:

1. An Affirmative Marketing Plan, based on the U.S. Department of Housing and Urban Development (HUD) regulations, will be submitted to the DR grantee for approval. The plan must outline the policies and procedures for housing activities. Procedures are established to affirmatively market units financed through the Program. The procedures cover dissemination of information, technical assistance to applicants, project management, reporting requirements, and project review.
2. The goal is to ensure that, eligible persons from all racial, ethnic, national origin, religious, familial status, the disabled, “special needs,” gender groups, and/or other populations least likely to apply, are:

Fully informed of vacant units available for sale and / or rent.

Encouraged to apply for purchase, rehabilitation, and / or rent.

Given the opportunity to buy and / or rent the unit of their choice.

Given the opportunity to rehabilitate their primary residence, which sustained damages due to disasters and/or its after-effects.

1. Program participants will be informed about available opportunities and supporting requirements via counselors, printed and electronic materials, publications, direct contact, workshops/seminars, and through the placement of flyers/posters in public facilities. Particular emphasis should be focused on successful outreach to LMI areas and those communities with minority concentrations that were affected by the disaster.
2. In addition to marketing through widely available media outlets, efforts will be taken to affirmatively market the CDBG-DR Program as follows:

Advertise with the local media outlets, including newspapers and broadcast media, which provide unique access for persons who are considered members of a protected class under the Fair Housing Act.

Include flyers in utility and tax bills advertising the Program.

Reach out to public or non-profit organizations and hold/attend community meetings.

Other forms of outreach tailored to reaching the eligible population, including door to door outreach if necessary.

1. Applications and forms will be offered in English and other languages prevailing in the region. In addition every effort will be made to assist such applicants in the application process.
2. In addition, measures will be taken to make the Program accessible to persons who are considered members of a protected class under the Fair Housing Act by holding informational meetings in buildings that are compliant with the Americans with Disabilities Act (ADA), providing sign language assistance when requested, and providing special assistance for those who are visually impaired when requested.
3. Applications and forms will be offered in English and other languages prevailing in the region, in accordance with Title VI of the Civil Rights Act of 1964. In addition every effort will be made to assist such applicants in the application process.
4. Documentation of all marketing measures used, including copies of all advertisements and announcements, will be retained and made available to the public upon request.

I. The subrecipient will be required to use the Fair Housing logo in Program advertising, post Fair Housing posters and related information, and, in general, inform the public of its rights under Fair Housing regulations law.

J. Multifamily rental programs must develop an Affirmative Marketing Plan for each development receiving CDBG-DR funding. The plan, pursuant to federal regulations, will outline strategies to inform the public about the housing opportunities, requirements/practices that the owner must adhere to in executing the Affirmative Marketing Plan, procedures that will be followed in soliciting applications, and a description of records that will be maintained and made available for review. Notice to Public Housing Authorities in the region in order to inform households on DHAP that permanent housing is available should be part of the Plan.

K. Evaluation of outreach activities and applications received will be necessary to determine if outreach is successful and applications that are being received accurately reflect the socioeconomic and other forms of demographic diversity identified in the Needs Assessment. Evaluation should be an ongoing process and begin no later than one month after the program begins accepting applications. The DR grantee should review these reports before the subrecipient begins qualifying applicants, and periodically thereafter.

L. The availability of the Program funds shall be advertised at a minimum through the following venues: local newspapers, local broadcast media, public or non-profit organizations, community meetings, other public groups, other outreach may include use of flyer in utility bills, church bulletins, and door to door outreach.

Evaluation of outreach activities and single family applications received will be necessary to determine if single family applications are received from a diverse population and ranges of income to ensure low/moderate income households are assisted in a proportion to the percentage of overall populations.

M. Applications and forms will be offered in English and other languages prevailing in the region. In addition every effort will be made to assist such applicants in the application process.

### IX. REPORTING REQUIREMENTS

Compliance will be maintained in accordance with the reporting requirements under the CDBG-DR regulations. This includes all information and reports as required under the grantee’s contract with the subrecipient and demographic data and other information on applicants and awardees processed by contractual agreement between the CDBG-DR and subrecipient.

The DR grantee will establish procedures for subrecipients to periodically report on goals and compliance with Section 3 as required by 24 CFR Part 135 and the contract between the grantee and the subrecipient.

The DR grantee will establish procedures for subrecipients to collect and report data relevant to Affirmatively Furthering Fair Housing and Civil Rights compliance. The reporting requirements will include, but not be limited to the following:

For each program activity requiring a direct application by an individual or non-institutional entity:

Applicant household’s income

Household’s income as a percentage of area median family income as defined by HUD

The race and ethnicity of the head of household

The household’s familial status

The presence or non-presence of a household member with a disability

For each activity providing housing or housing assistance that is not directly linked to a specific beneficiary:

The cost of the housing unit to the applicant and to the occupant

The maximum qualifying household income as a percentage of area median family income as defined by HUD

Restrictions regarding the age or familial status of occupants

The presence or absence of designs or services that make the housing unit accessible to an individual with a disability and the number of fully accessible units.

### X. RECORDS RETENTION

All official records on programs and individual activities are maintained for a 5 (five) year period, starting once the national objective has been met and recorded, or beyond the end of the affordability period for each housing activity, whichever is longer.

### XI. PROCUREMENT REQUIREMENTS

Procurement is the acquisition of goods and services to be used internally by the subrecipient to carry out the Program. The procurement process includes the decision to purchase as well as the process to complete the purchase. The federal government has established a set of procurement rules at 24 CFR Part 84 and 85 that apply to CDBG-DR funded projects. These rules are in place to ensure that federal dollars are spent fairly and encourage open competition for the best level of service and price.[[4]](#footnote-5)

Subrecipient is required to submit a plan for compliance with Section 3 (24 CFR Part 135) requirements for the DR grantee approval prior to the start of construction on any contract activity.

### XII. SITE AND DEVELOPMENT RESTRICTIONS

1. Housing that is constructed or rehabilitated with CDBG funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. International Residential Code (IRC) (with windstorm provisions) and International Building Code (IBC) must be used as required where appropriate. All rehabilitation projects must comply with Housing Quality Standards (HQS) and all applicable local codes and ordinances. To avoid duplicative inspections when Federal Housing Administration (FHA) financing is involved in a CDBG-assisted property, the subrecipient may rely on a Minimum Property Standards (MPS) inspection performed by a qualified person. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.
2. All other CDBG-assisted housing (e.g., acquisition) must meet all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR

§982.401. All multifamily rehabilitation developments are subject to a Uniform Physical Conditions Standards inspection. All deficiencies identified in that inspection must be corrected before final retainage is released.

1. Housing developments must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794). Covered multifamily dwellings, as defined at 24 CFR §100.201 as well as common use facilities in developments with covered dwellings must meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 U.S.C. §§3601–3619) and the design and construction requirements of the Fair Housing Act Design Manual. Additionally, developments involving new construction (excluding construction of nonresidential buildings) where some units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and all common-use facilities in compliance with the design and construction requirements of the Fair Housing Act Design Manual, and include a minimum of one bedroom and one bathroom or powder room at the entry level. A compliance certification will be required after the development is completed from an inspector, architect, or accessibility specialist. Any developments designed as single family structures must also satisfy the requirements of the local Code.
2. All Applications will be required to meet Section 8 Housing Quality Standards detailed under local Construction Standards, as well as the Fair Housing Accessibility Standards and Section 504 of the Rehabilitation Act of 1973. Developments must also meet all local building codes or standards that may apply.

### XIII. CONFLICT OF INTEREST

1. The conflict of interest regulations contained in the contract between the subrecipient and the DR grantee prohibit local elected officials, subrecipient employees, and consultants who exercise functions with respect to CDBG Disaster Recovery activities or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, from receiving any benefit from the activity either for themselves or for those with whom they have family or business ties, during their tenure or for one year thereafter.
2. For purposes of this section, “family” is defined to include parents (including mother-in- law and father-in-law), grandparents, siblings (including sister-in-law and brother-in- law), and children of an official covered under the CDBG conflict of interest regulations at 24 CFR Sec. 570.489(h).
3. The Department is able to consider granting an exception to the conflict of interest provision should it be determined by the DR grantee that the subrecipient has adequately and publicly addressed all of the concerns generated by the conflict of interest and that an exception would serve to further the purposes of Title I of the Housing and Community Development Act of 1974 and the effective and efficient administration of the program. Do not enter into a conflict of interest until a request for an exception has been granted.

### XIV. COMPLAINT/APPEAL PROCESS[[5]](#footnote-6)

1. Citizen complaints will be handled as required under the following regulations:
2. 24 CFR 91.11(h) Citizen Participation Plan which states, “The citizen participation plan shall describe the State’s appropriate and practicable procedures to handle complaints from citizens related to the consolidated plan, amendments and performance report. At a minimum, the citizen participation plan shall require that the State must provide a timely, substantive written response to every written citizen complaint, within an established period of time (within 15 working days, where practicable, if the State is a CDBG recipient).”
3. 24 CFR 570.486(a)(7) Local Government Requirements, which states, “Provide citizens the address, phone number, and times for submitting complaints and grievances, and provide timely written answers to written complaints and grievances, within 15 working days, where practicable.”
4. Resolution of complaints must be handled sensitively and fairly. Complete and thorough program documentation and contractual agreements, careful implementation of policies and procedures, and clear and respectful methods of communication will help prevent and resolve complaints. Incorporation of escalation procedures into the complaint process will support resolution at the earliest stage possible.
5. Information about the right and how to file a complaint shall be printed on all program applications, guidelines and subreceipent web sites in all local languages, as appropriate and reasonable.
6. Types of Complaints: There are two types of complaints; formal and informal.

Informal: Informal complaints may be verbal and can come from any party involved in the application process, including the homeowner or building contractor. A written procedure for handling these complaints is not required.

Formal: Formal complaints are written complaints, including faxed and emailed statements. A written procedure for dealing with formal complaints is required.

1. Informal Complaints
   1. Policy:
      1. Informal complaints may be verbal, and can come from any party involved in the process, including the homeowner or building contractor.
      2. A written procedure for handling these complaints is not required.
   2. Required Documentation: Statement of policy only. No required documentation
   3. Procedure:
      1. A person who calls the subrecipient to file an informal complaint will be advised on how to file a formal complaint if their complaint cannot be immediately resolved.
      2. The subrecipient procedures will include a complaint escalation process in order to ensure complaints are handled at the earliest stage in the process.
      3. Parties interested in the grantee’s Programs are directed by program literature, the program and the website and information provided by subrecipient staff. Notwithstanding these directions, some individuals will choose to make inquiries directly to the DR grantee.
   4. Action: For subrecipient staff:
      1. Obtain all pertinent applicant details including name, address, contact number and application ID.
      2. Capture the details of the question or complaint to include the names of program personnel previously contacted.
      3. Contact subrecipient Program Manager and provide details of the query. Forward copies or originals of any documents or correspondence received. Please include how any questions were answered, what information was provided and what action you would like the subrecipient Program Manager to take, if any.
2. Formal Complaints
   * + - 1. Policy:
     1. Formal complaints are written statements of grievance. These complaints may come to the subrecipient Program Manager or the DR grantee in the form of a fax, email or letter and are handled through a documented set of procedures that comply with federal regulations and the grantee requirements. The Complaint Tracking System will be used to store, track, and document resolution of the complaint.
     2. The formal complaint process tracks the process outlined by the DR grantee for handling complaints.
     3. If the formal complaint is submitted to the DR grantee, will, at their discretion will submit the complaint to the subrecipient.
     4. The subrecipient will document, process, and file all complaints received from the DR grantee following the policy and procedures outlined.
     5. Complaints with insufficient data or submitted by a third party with no standing in the application about which the complaint is being submitted need not be accepted.
   1. Required Documentation: the Complaint Policy and Procedures documentation includes the following elements:
      1. Definition of the kind of disputes or complaints that will be handled.
      2. Identification and description of the party responsible for handling the complaint and the disposition.
      3. Appeal process available to complainants, including how an appeal is initiated, to whom the appeal is made, time limits for filing an appeal, and any details pertaining to the reviewer or person(s) who handle the appeal; and
      4. How to file a formal complaint
   2. A file for each complaint will be maintained. The file will document each step of the complaint process and will include the following:
      1. The name of the person who filed the complaint;
      2. The date the complaint was received;
      3. A description of the complaint;
      4. The name of each person contacted in relation to the complaint;
      5. A summary of the results of the review or investigation of the complaint; and
      6. An explanation of the reason the file was closed, if the file was closed.
   3. Procedure:
      1. In order for a complaint to be processed it must be received in writing (includes fax and email) and must include:

The name of the complainant, and

Contact information of the complainant

Complaints may be submitted in the following ways:

By mail: (insert subrecipient mail info)

By fax: (insert subrecipient fax info)

Online: (insert subrecipient online info)

* + 1. Upon receipt of a written complaint, the PM or designee will perform the following steps:

Assign a control number to the complaint;

Review and/or investigate the complaint;

Determine to which program the complaint refers;

Submit the findings to an individual designated by the grantee;

Provide a copy of the DR grantee’s policies and procedures relating to investigation and resolution to the complainant and to each person who is subject of the complaint;

Notify the complainant of the resolution within fifteen (15) business days after the complaint was received.

* + 1. The following outlines the procedure in the event a formal complaint is received:

Enter all pertinent information into the Complaint Tracking System. Enter the information under the category “Complaint Tracking”. This will generate a Ticket/Control number. There will be a separate file or ticket for each complaint. The entry must contain the following information: the name of the person filing complaint, the date the complaint was received, and a description of the complaint.

Upload an electronic copy of the complaint into the Complaint Tracking System.

Notification will be sent via email to Operations Manager from the Complaint Tracking System. The ticket status will be updated to “Assigned”.

Determine if complaint is complete, relevant and has standing.

The complaint will be reviewed in detail and investigated through to resolution. Findings will be forwarded to an individual designated by the DR grantee.

Progress updates of the review/investigation will be entered into the Complaint Tracking System by specific ticket number.

Notification will be sent to complainant within fifteen (15)

business days after the complaint was received.

Once resolution has been determined and notice has been sent to complainant, the status of the ticket will be updated to “Closed”.

* + 1. Citizens will be provided with the address, phone numbers, and times for submitting complaints or grievances.
    2. The Complaint Tracking System will categorize complaints, track the resolution process, and report on complaint status.
    3. Corrective action is implemented, where warranted.

### XVI. CHANGES, WAIVERS, AND/OR CONFLICTS

1. The subrecipient has the right to change, modify, waive, or revoke all or any part of these guidelines, with the prior written approval of the grantee.
2. Waivers to the requirements in these Guidelines can only be approved by the DR grantee and must be in provided in writing. The DR grantee will provide the option for a waiver, only after the posting of the waiver request on the Department website for a public comment period of at least ten (10) days. The waiver request must demonstrate why the housing guidelines are not practicable for the subrecipient.
3. In the event that these Guidelines conflict with local, state, or federal law, the more stringent requirement will prevail, provided that the requirement does not violate local, state or federal law.

## Part B - HOMEOWNER REHABILITATION PROGRAM GUIDELINES

### INTRODUCTION

The DR grantee is the lead agency and responsible for disaster funds allocated to housing activities. Local entities including Cities, Counties and Councils of Local Government administer these funds on the local level for housing activities.

Housing Guidelines have been developed to serve as the basis for housing programs related to the Program. This document is expected to serve as direction for the Single Family Homeowner Program activities funded under this program. Additionally, these guidelines supplement the General Guidelines which provide direction for issues that affect all of the programs and cover all areas of administration not expressly covered in this document. Subrecipient must incorporate those elements into their Single Family Homeowner Program.

Benefit to Low to Moderate Income (LMI) is the principal National Objective approved for the Disaster Recovery Single Family Homeowner Program under this program. The use of Slum and Blight is eligible and, if requested by the subrecipient, will be evaluated during application review. The use of Urgent Need is used for purposes of CDBG-DR funds, and will be evaluated during application review. Eligible activities, which are defined in the General Guidelines, are as follows: rehabilitation, reconstruction, replacement, or new construction, and associated elevation and demolition.

Subrecipient may also provide assistance for Individual Mitigation Measures (energy efficiency and disaster mitigation activities). All activities must be consistent with the subrecipients’ obligation to proportionately assist beneficiaries based on the needs assessment.

### I. PROGRAM OBJECTIVES

1. The primary focus of this program is to provide relief for those people impacted with consideration given to affirmatively further fair housing, as called for within the Fair Housing Act.
2. The following objectives are provided for the implementation and administration of a successful CDBG-DR Single Family Homeowner Program. Actual selection of applicants is discussed in Section XI of the Guidelines.
3. The primary objective of this Program is to provide decent, safe, and sanitary housing in the disaster impacted areas through the provision of activities designed to mitigate disaster damage that occurred as a result of past, as well as any future disasters.
4. A second objective is to ensure that the housing needs of very low, low and moderate-income households are assisted with housing in no less than the proportion to their relative percentages of the overall populations which suffered housing damage within the communities being served.
5. A third objective is to prioritize the provision of decent, safe and sanitary housing for elderly and disabled populations with an emphasis on housing choice and design to reduce maintenance and insurance costs as well as provide for the provision of independent living options.

### II. PROGRAM DESIGN

1. Subrecipient will design a program utilizing the damage assessments provided by HUD and where appropriate, local data and Federal Emergency Management Agency (FEMA) data in order to determine the areas and populations most impacted by the disasters. The DR grantee will assist with the analysis and provide raw data.
2. Needs Assessment. The subrecipient’s Program Design must be based on a Needs Assessment, working with HUD information and conducted by local governments, according to the requirements detailed in the General Guidelines. That assessment serves as the basis for the specific Single Family Homeowner Program that will be offered by the subrecipient. Specifically, the assessment will be used to determine the activities to be offered to meet the types of housing needs experienced by the affected population, the demographics to receive concentrated attention and the target areas to be served.
3. Program Marketing. The Program Design must feature an effective marketing program to encourage application. Marketing program requirements are detailed in the General Guidelines.
4. Priorities for Evaluating Applicants. Results based on data from the Needs Assessment must be met. The LMI demographic groups must be disaggregated as follows:

a. 0% - 30% AMFI

b. 31% - 50% AMFI

c. 51% - 80% AMFI

1. All eligible applicants must be evaluated in order to establish the priority of funds within the above-referenced economic subgroups. Each subgroup must be funded at the levels indicated by the Needs Assessment and analysis; however, the lowest income households may be funded at a level in excess of their population’s percentage of need. The intention is to incorporate both the family and dwelling characteristics of applicants in order to establish a system that gives the households that are less able to address need without public assistance a higher priority. The following household characteristics indicate a funding priority within the economic subgroups:
2. Disability. If one or more members of a household have a documented disability that affects the design of the assisted unit, that household may be given priority within their income subgroup.
3. Age. If one or more members of the household are less than 18 years of age or 62 years of age or older, and has a lower AMFI.
4. Application Intake and Counseling. A mechanism must be incorporated into Program Design to prevent any pre-screening of applicants without a written application being taken. Anyone who makes an inquiry about the program will be provided an application package to complete; all such inquiries will be reported in a format to be provided by the DR grantee.
5. Additional points will be awarded for subrecipients that guarantee one-on-one assistance to applicants to explain the various programs and activities, and to describe the financial elements, including award determination.
6. Housing Standardization. For new and reconstructed homes, construction specifications (for 2, 3 and 4 bedroom homes with total square footage ranges), will be developed by the DR grantee. Each home must be constructed in accordance with local code. The subrecipient may engage an architect to allow for local architectural variations; however, basic square footage (within ranges), room requirements, building materials and general specifications must remain standardized for any home newly constructed or reconstructed with CDBG DR funding. Elevation options will be developed by the subrecipient. The standardized specifications will then be put out for bid locally.
7. Housing Assistance Caps. Homeowner Assistance is limited to $125,000, less any duplication of benefits.[[6]](#footnote-7) The base unit “bid” amount is the maximum amount of assistance available to reconstruct or newly construct a home. It is set when the standardized set of new home specifications in the Guidelines are bid locally. The intent of this rule is to equalize the funding available for different activities and choices. Homeowner Assistance allows for additional costs above the base unit amount including elevation and abatement.
8. Rehabilitation of existing, disaster damaged homes is capped at $100,000. Additional expenses, such as elevation, are allowed as limited by the Housing Assistance Caps.. Estimated rehabilitation costs exceeding this cap will be recommended for reconstruction.

### III. ASSISTED HOMEOWNER ELIGIBILITY REQUIREMENTS

1. The following are threshold requirements, which must be met for an applicant to be eligible for assistance. Eligibility does not assure assistance, since a prioritization strategy within LMI economic subgroups will be required (consistent with Program Design requirements) and it is expected that there will be more eligible applicants than can be served with available funds.
2. Income Eligibility. The income limits to be utilized for the CDBG Single Family Homeowner Program are the current income limits established yearly by HUD for the Section 8 Housing Program. Subrecipient must always use the most recent income limits and will be monitored for compliance. All beneficiaries of the Homeowner Program must meet a National Objective. The Low to Moderate Income (LMI) National Objective is defined as providing a benefit to households at incomes of up to 80% of the locality's median income as computed on the most current HUD Section 8 Income Limits. Any activity carried out with CDBG funds that involves acquisition, rehabilitation or reconstruction of property to provide housing is considered to benefit LMI persons only to the extent such housing will, upon completion, be occupied by such persons.
3. Proof of Ownership. The applicant must be an individual who owns the property to be repaired, rebuilt or replaced due to disaster damage. Ownership can be documented as follows:

a. Provide a copy of a valid deed of trust or warranty deed that is recorded in the county records which cites the applicant’s name. For MHUs, a Statement of Ownership and Location (SOL) may be provided.

b. For the purposes of federally funded disaster recovery programs, ownership may be proven in the following manner:

1. Applicants may prove ownership by providing alternative documentation and completing a notarized affidavit that certifies that one of the following circumstances applies:
2. there is nobody else who has the right to claim ownership;
3. anyone who has a right to claim ownership has agreed to participate in the program; or
4. anyone who has a right to claim ownership could not be located (after reasonable attempts to contact).
5. The alternative documentation that can be provided instead of a copy of the deed includes (in order of preference):

1. tax receipts;

2. home insurance;

3. utility bills; or

4. other documentation deemed to be acceptable by the grantee

1. The documentation must show that the applicant was the person responsible for paying for these items at the time of the disaster.
2. The above-referenced alternatives are not optional and must be incorporated into Program Design and allowed to prove ownership for all CDBG Disaster Recovery Programs in the State of Texas.
3. Principal Residency. The unit to be rehabilitated, reconstructed or replaced must have been occupied by the applicant as the applicant’s principal residence as of Month Day, Year. Principal residency for applicants can be demonstrated through property tax homestead exemptions. If a homestead exemption was not in place at the time of the disaster, an Affidavit of Principal Residency may be utilized as an alternative method of verification of principal residency. The affidavit must be supported by documentation such as asset verification (income tax returns, credit check, etc.) or utility bills specific to the property address and name of the applicant which were active as of the applicable, above-referenced dates. Vacation homes and rental properties are not eligible for assistance under the Single Family Homeowner Program.
4. Property Taxes. Applicant must furnish evidence that property taxes are current, have an approved payment plan or qualify for an exemption under current laws. Applicant must prove that property taxes have been paid or that one of the following alternatives have been met:

the property owner qualified for and received a tax deferral as allowed under local tax code;

the property owner qualified for and received a tax exemption pursuant to the local tax Code; or

the applicant entered into a payment plan with the applicable taxing authority.

1. Support documentation verifying the tax deferral or tax exemption must be provided by the applicant. Any applicant that enters into a payment plan must supply a signed copy of the payment plan from the applicable taxing entity, along with documentation that they are current on their payment plan.
2. Insurance. Hazard insurance may be purchased on behalf of the assisted homeowner by CDBG Disaster Recovery Program for one year from the date of assistance. Assisted homeowners will be required to maintain hazard insurance. Failure to maintain hazard insurance may impact future disaster assistance.
3. If the unit is located in the 100-year flood plain, flood insurance is required. Flood insurance will be purchased on behalf of the assisted homeowner by CDBG Disaster Recovery Program for one year from the date of assistance. Homeowners are required to maintain flood insurance after the first year. Failure to maintain flood insurance will impact future disaster assistance.

### IV. PROPERTY ELIGIBILITY REQUIREMENTS

1. The following threshold requirements are applicable to the assisted unit and must be met in order for the applicant to receive assistance. Proof of damage is discussed in the General Program Guidelines.
2. Unit Characteristics. Only single-family owner-occupied units within the subrecipient’s jurisdiction will be eligible for single family homeowner programs.
3. Manufactured Housing Units (MHUs or mobile homes) are eligible for rehabilitation at the discretion of the subrecipient. However, the MHU to be rehabilitated must be no more than 5 years old at the time of assistance and no more than $10,000 in hard and soft construction costs can be used to rehabilitate a MHU. The MHU must meet HQS upon completion. MHU rehabilitation costs that exceed $10,000 will require reconstruction. Reconstruction of MHUs will consist of replacing the MHU with another MHU or a stick-built home that will meet only the current needs of the family or individual.[[7]](#footnote-8)

### V. TYPES OF ASSISTANCE OFFERED

1. Rehabilitation, Reconstruction, or New Construction assistance may be offered to applicants. Based on the extent of damage, applicants may be eligible for rehabilitation or reconstruction of their homes, or they may be offered new construction assistance.
2. The option of new construction is limited for applicants who do not qualify for, or who do not select full participation in the HP Homebuyer Assistance Program, which includes the buyout and demolition of the original, disaster-damaged property. New construction for non-HP Homebuyer applicants is limited to situations where local zoning/building permits, or federal requirements, such as environmental regulations, will not allow the reconstruction of the original, disaster-damaged home.
3. Temporary relocation assistance may be offered at the discretion of the subrecipient; however, the assistance may not exceed $10,000 per household.[[8]](#footnote-9)

### VI. TYPES OF IMPROVEMENTS

1. Improvements needed to meet HUD Section 8 Existing Housing Quality Standards, and Cost Effective Energy Measures are eligible improvements.
2. Improvements must be physically attached to the house and be permanent in nature (e.g., sheds or garages located separately from the house are ineligible). Eligibility of attached structures such as carports or utility rooms is based upon available funds and agreement by the DR grantee in cases where safety or the structural integrity of the house is involved.
3. Improvements will include as necessary lead-based paint abatement, asbestos abatement, handicapped accessibility for special needs, energy efficiency or ventilation items such as ceiling fans, window screens, screen doors, and window blinds.
4. Individual Mitigation Measures (IMM) that mitigate and/or reduce risk for future disasters where the measures are above and beyond federal, state, or local construction or code requirements, and additionally the improvements exceed those that existed prior to the disaster. Examples include elevation above the base flood elevation level, the addition of storm shutters, hurricane proof windows, roof straps, etc. as long as those improvements are not required to comply with local code or wind zone requirements.
5. Energy efficient cook stoves, refrigerators, and other necessary appliances are eligible items, but will only be considered when they are not present or the repair would not be cost effective. They will be dealt with on a case-by-case basis.
6. Required permits, if any, will be obtained by the contractor at his/her expense and will be included as part of the bid costs.
7. Assistance will not be used for luxury items, including but not limited to garage door openers, security systems, swimming pools, fences, and television satellite dishes.

### VII. SUPPLEMENTAL IMPROVEMENTS

1. All debris, abandoned vehicles, and buildings that pose a safety and/or health threat as determined by the local jurisdiction or person qualified to make such a determination, must be removed from the property prior to the start of construction. The assisted homeowners will remove derelict personal property.
2. All electrical components must be inspected including service, meter, wiring, and fixtures even if no electrical work is being specified. Unsafe components must be replaced. All exposed wiring, switches, and light bulbs in living areas must be encased.

C. All homes must be equipped with a smoke detector installed in conformance with the one and two-family dwelling code.

1. Rehabilitated homes inhabited by handicapped or elderly persons must be analyzed as to the special physical needs of such persons. Improvements such as widened doorways, ramps, level entry and doorways, and grab bars in bath areas must be installed, if appropriate.
2. If a home is to be reconstructed or a replacement home provided, the original home must be removed from the site.

### VIII. FORMS OF ASSISTANCE

1. Single Family Homeowner assistance shall be provided in the form of an Unsecured Deferred Forgivable Note (Note).
2. The subrecipient will be required to execute the Note with assisted homeowners for all homeowner activities under the Disaster Programs. The Note will be required to be recorded in the County Courthouse records. The Note will require assisted homeowners to maintain principal residency in the assisted property for 5 years.[[9]](#footnote-10) Cash out refinancing, home equity loans or any loans utilizing the assisted residence as collateral are not allowed for three years; violation will activate the repayment terms of the Note. The subrecipient is required to monitor assisted households for compliance with the terms of the Note. Homeowners that default on the terms of the Note may be reported to Credit Bureaus and the Texas Office of the Attorney General.
3. If the assisted homeowner continues to occupy the home until the term of the note expires, the owner pays nothing and there are no conditions on the disposition of the property. If the property is sold, transferred or vacated by the assisted homeowner for any single period that exceeds thirty (30) days during the three-year forgivable loan period, the repayment terms of the Note will be enforced except in those cases addressed in the paragraph below. Migrant farm workers who are recipients of a home under this program, may, when proven to be performing work for not more than six months, leave a home vacant during the time of their employment, (but may not rent out the home), provided the recipient intends to return to the home. If the assisted homeowner for any reason ceases to reside in the assisted unit during the subrecipient’s CDBG contract period, only LMI persons may reoccupy the unit until the contract is administratively closed by the Department or the CDBG contract period expires, whichever is earlier.
4. Accelerated Forgiveness in Certain Cases: In the event of (1) the death, (2) relocation to a managed care facility, or (3) relocation resulting from documented mental or physical incapacitation of the sole remaining assisted homeowner identified in the original application, the subrecipient may forgive any remaining loan balance. However, the requirement that only LMI persons may occupy the assisted housing unit until the CDBG contract is closed by the Department or the contract period expires shall not be waived by the subrecipient. Any waiver of this policy must be given by the Department.

### IX. CONSTRUCTION

1. If the unit to be assisted was built prior to 1978 and the type of assistance offered will be rehabilitation, the assisted unit will be tested for the presence of lead based paint. If present, the removal of lead based paint will be considered in the costs of rehabilitation under the Abatement cap as described in the General Guidelines. Lead paint inspection provides two benefits: (1) the costs of abatement are considerable and must be factored into the cost estimates for rehabilitation and (2) the health risks to residents, particularly children, may be severe so any presence of lead based paint in an assisted unit, even one that is to be reconstructed, must be reported so that the residents may seek appropriate medical attention.
2. A pre-construction conference between the assisted homeowner, contractor, and the subrecipient will be conducted to insure that all parties are in agreement about the work to be completed. The pre-construction conference will consist of two parts: The first part deals with basic contract and procedural issues: begin and end dates of the contract; terms of the contract; payment schedules and procedures; inspection procedures and requirements; responsibilities of the contractor and the assisted homeowner; change order procedures; payment requests and procedures (escrow account); lead-based paint requirements; role of the subrecipient; complaint and conflict resolution procedures; and other programmatic procedures. The second part will consist of a walk-through of the house for rehabilitation assistance. All parties should understand how the work will proceed. Instructions will be given regarding clean up by the homeowner prior to the work, and the contractor after the work.
3. Housing that is constructed or rehabilitated with CDBG funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. International Residential Code (IRC) (with windstorm provisions) and International Building Code (IBC) which will be used as required and as appropriate. All rehabilitation projects must comply with Housing Quality Standards (HQS) and all applicable local codes and ordinances. Additional codes and standards requirements are detailed in the General Guidelines.

### X. CONSTRUCTION AGREEMENT

The construction agreement for stick-built homes will be a tri-party agreement between the Rehabilitation/Reconstruction Contractor, the assisted homeowner and the subrecipient (lender).[[10]](#footnote-11)

### XI. PROPERTY INSPECTIONS AND FINAL PAYMENT

1. Preliminary Inspections

A preliminary inspection will be conducted by the subrecipient to determine the condition of the unit for each application and to verify damage if FEMA, Small Business Administration (SBA) or Insurance award letters are not available. The initial inspection will be conducted by the subrecipient’s inspector or another qualified inspector and a list of the deficiencies will be prepared. The inspection will provide an estimate of repair costs to determine whether rehabilitation or reconstruction will be offered and must be in sufficient detail to be utilized in the creation of work write-ups.

1. Progress Inspections
2. Progress inspections serve three primary purposes: 1) to evaluate the contractor's progress; 2) to confirm that local building codes or standards have been satisfactorily met; and 3) to confirm that all requirements of the contract have been met to all parties' satisfaction.

b. At key stages in the project, the subrecipient will schedule inspections. Key stages are times when work such as wiring and plumbing are completed and still exposed prior to the wall or flooring being replaced; or when work being performed by a specialty subcontractor, who will be present for only a short time, is nearing completion.

c. Inspections to approve progress payments will be made at a time requested by the contractor. These inspections will be made promptly upon request so as not to delay the processing of the contractor's payments. If at all possible, the same person will conduct inspections each time.

f. Building permits are required for all applicable construction work.

g. The assisted homeowner and the subrecipient will sign the inspection forms as acknowledgement that the work was completed and meets their approval. If the assisted homeowner is not satisfied with any aspect of the work, the inspection forms should not be signed until the contractor has corrected the faulty work.

1. Final Inspections

a. When work is nearing completion, the contractor will notify the subrecipient of a specific date when the job will be ready for a final inspection. The purpose of the final inspection is to guarantee that all work called for in the contract has been completed according to specification. If progress inspections were conducted often enough to make mid-course corrections, the final inspection should only need to catch those items which have been done since the last inspection. The final inspection will be as thorough and deliberate as the initial inspection. Finished carpentry, painting, backfilling, electrical fixtures, all single family homeowner activities, and clean-up should be closely checked for completion.

1. The subrecipient will make sure that the assisted homeowner has received all warranties and instruction booklets for installed equipment.
2. As in all construction projects, a punch list will be developed toward the end of the job. A punch list is a listing of items written as specifications, which constitute the work necessary to complete the contract. The contractor and the subrecipient as a result of the final inspection will develop the punch list, although the contractor and the assisted homeowner prior to the final inspection can develop it. Either way, the punch list will represent work yet to be done, not additional work over and above the original or amended contract. Once the punch list has been prepared, no other work items are expected of the contractor. If the punch list contains more than ten (10) items, the contractor is not ready for a final inspection.
3. Certificate of Completion and Owner Acceptance
4. After all items on the punch list have been satisfactorily completed, and all warranties issued, the project can be brought to final resolution. For purposes of accountability, the Single Family Homeowner Program must have written documentation that the assisted homeowner and subrecipient have accepted the work.
5. Warranties and Retainage
6. When final inspection determines that the work is completed in accordance with the contract, the subrecipient will submit the contractor's request for payment and upon receipt of the funds, disburse the funds to the contractor. The subrecipient may retain 10% of the funds pending a supplemental inspection in no less than thirty (30) days. Following a satisfactory supplemental inspection, the retainage will be paid to the contractor upon availability of grant funds following the final thirty (30) day inspection.
7. If any problems are identified in this supplemental inspection, the subrecipient will then notify the contractor to come back and correct the same within a reasonable amount of time, not to exceed two weeks. Should the contractor fail to do so, the subrecipient will not disburse the retainage, the assisted homeowner may take any necessary legal recourse, and the contractor will be barred from performing any more rehabilitation/reconstruction work in the subrecipient. In addition, should the contractor be doing other work under this Single family homeowner Program and fails to correct any warranty problems, no other payments will be made to him/her until such problems are corrected.
8. All work performed by the contractor will be guaranteed for a period of one (1) year. Such warranty will be stipulated in the construction contract between the contractor and the homeowner. For a period of one (1) year, the assisted homeowner may require the contractor to correct defects or problems arising from his or her work under this contract. Should the contractor fail to do so, the assisted homeowner may take any necessary legal recourse as prescribed in the rehabilitation contract. A reasonable amount of time will be given to correct the problem; however, in no case will such time exceed two weeks to respond.

### XII. FILES AND REPORTS

The subrecipient will maintain accurate Single family homeowner Program files and records for general administration activities, for each applicant, and for each assisted homeowner for a period of three (3) years as required by the grantee. Such files will be open for inspection as to qualifications, bids, and awards.

### XIII. CHANGES, WAIVERS, AND/OR CONFLICTS

1. The subrecipient has the right to change, modify, waive, or revoke all or any part of these guidelines, with the written approval of the grantee.
2. Waivers to the requirements in these Guidelines can only be approved by the grantee and must be in provided in writing.
3. In the event that these Guidelines conflict with local, state, or federal law, the more stringent requirement will prevail, provided that the requirement does not violate local, state or federal law.

1. Note to CDBG-DR Grantees: This provides an example of a demonstration program that a CDBG-DR grantee developed. It is highly recommended to contact your HUD Representative for the CDBG-DR funds at the early stages of development for any demonstration program. [↑](#footnote-ref-2)
2. Guidance provided by HUD on Duplication of Benefits may be found at: <http://www.gpo.gov/fdsys/pkg/FR-2011-11-16/pdf/2011-29634.pdf> [↑](#footnote-ref-3)
3. Note to CDBG-DR Grantee: It is important to refine the list clearly. A jurisdiction may only be receiving infrastructure assistance and therefore would not be eligible for housing assistance. The information provided is not refined. [↑](#footnote-ref-4)
4. Note to CDBG-DR Grantee: State and local procurement rules should be included. [↑](#footnote-ref-5)
5. Note to CDBG-DR Grantees: Depending on the size and duration of a program, the compliant/appeals process may need to be more robust. [↑](#footnote-ref-6)
6. Note to CDBG-DR Grantees: The cap is purely a place-holder, each grantee will need to determine the maximum dollar amount per program. [↑](#footnote-ref-7)
7. Note to CDBG-DR Grantees: The cap is purely a place-holder, each grantee will need to determine the maximum dollar amount per program. [↑](#footnote-ref-8)
8. Note to CDBG-DR Grantees: The cap is purely a place-holder, each grantee will need to determine the maximum dollar amount per program. [↑](#footnote-ref-9)
9. Note to CDBG-DR Grantees: The number of years denote here is purely a place-holder, each grantee will need to determine the principal residency requirement. [↑](#footnote-ref-10)
10. Note to CDBG-DR Grantees: Recommend re-issuing the standard CDBG or HOME Construction Agreement. [↑](#footnote-ref-11)