THE OFFICE OF COMMUNITY AND ECONOMIC DEVELOPMENT

HOUSING PROGRAM GUIDELINES

For the
Washtenaw Urban County

Ann Arbor Township, Bridgewater Township, Northfield Township, Pittsfield Township, Salem Township, Superior Township, Ypsilanti Township, Scio Township, York Township, City of Ypsilanti, City of Ann Arbor, Dexter Township, Lima Township, Manchester Township, Village of Manchester, City of Saline, Saline Township & Webster Township

EQUAL HOUSING OPPORTUNITY

Amended and Approved by Urban County Executive Committee: 08/27/2013

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CHAPTER I

HOUSING PROGRAMS OVERVIEW

A. Program Goals

The goals of the Office of Community and Economic Development (OCED) Housing Programs include:

Eliminate blight and conditions detrimental to the health, safety, and/or welfare of residents. Preserve, maintain, and expand housing stock for lower income owner-occupied households at or below 80% of the Washtenaw County Area Median Income (AMI), adjusted for household size, as published by HUD each year. Priority has been established for disabled individuals, the elderly, families with children, and the homeless.

1) Assist homeowners in correcting code violations, correcting environmental hazards such as lead-based paint, and improving accessibility.
2) Ensure that when required and as funding allows completed rehabilitation work, meets current local codes including but not limited to the Michigan Building Code, Michigan Residential Building Code and the International Property Maintenance Code.
3) Assist housing efforts to prevent homelessness.
4) Support cooperative housing developments through rehabilitation and ownership assistance.
5) Assist developers and rental property owners in leveraging funds to acquire and/or rehabilitate substandard housing and bring the units up to applicable building codes.
6) Increase energy efficiency in owner-occupied and rental dwellings.
7) Promote homeownership by lower income households.
8) Provide financial and technical support to non-profit organizations to acquire, refinance and rehabilitate owner and rental housing.

B. Program Components

The OCED Housing Programs shall consist of the following components:

1) Rehabilitation consisting of:
   a) Owner occupied housing units (1 to 4 dwelling units)
   b) Housing cooperatives
   c) Single/multi-unit rental units to include:
      i) Privately owned rental units
      ii) Public housing units
   d) Other structures such as emergency shelters, manufactured homes

2) Acquisition consisting of:
   a) Down Payment Assistance for first-time home buyers
   b) Housing Cooperatives
   c) Single/multi-unit rental units to include:
      i) Privately owned rental units
      ii) Public Housing
   d) Other structures such as emergency shelters

3) Planning and Technical Assistance for:
   a) Non-profit organizations involved in housing service delivery.
   b) Joint partnership arrangements for the development or preservation of housing.
   c) Special projects as directed by local municipalities.
   d) Property owners to determine the repairs needed and to select contractors to perform the work.

C. Program Administration

The Housing Programs are funded by federal funds awarded to Washtenaw County by the U.S. Department of Housing and Urban Development (HUD). OCED is authorized by the Washtenaw Urban County to administer the housing programs and is responsible for executing all program activities in compliance with the adopted policies, procedures, and applicable state, federal, and local regulations. OCED is responsible for general oversight of the programs which includes the allocation of resources, policy development/oversight, and community relations issues associated with the programs. This includes actions such as:

1) Implementing eligibility criteria for the various programs;
2) Processing and approving program applications;
3) Preparing work orders and bid documents;
4) Negotiating and processing contracts between eligible property owners and private contractors for rehabilitation work in compliance with procurement procedures;
5) Oversight of work and conducting progress inspections during construction;
6) Preparing security documents including mortgages and notes , and servicing recoverable grants where appropriate;
7) Preparing and executing subordination agreements for property owners who continue to meet the subordination requirements of the housing programs;
8) Preparing and executing affordability agreements, contractor/owner/municipality agreements, covenants and inter-creditor agreements.

These guidelines may be amended based upon any changes in federal, state, or local regulations or administrative requirements.

D. Program Budget

The budget for the Housing Programs shall be appropriated from Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME) funds or program income received by OCED from the U.S. Department of Housing and Urban Development (HUD); General Funds approved by local units of government; and any other funding that is awarded for this purpose.

CHAPTER II

HOUSING REHABILITATION PROGRAMS

A. Purpose

OCED administers a number of Housing Programs using CDBG, HOME funds. The goal of the housing rehabilitation programs is to assist low to moderate income homeowners with the rehabilitation and preservation of the County's housing stock. The Housing Rehabilitation Program provides a mechanism for property owners to bring their properties into compliance with applicable building and housing codes and provide safe, decent housing for lower income individuals. The Housing Rehabilitation Program is designed to bring the eligible property owner's dwelling into compliance with applicable, locally adopted housing standards and rehabilitation standards to reduce ongoing and future maintenance costs, promote energy efficiency, and to preserve decent affordable owner-occupied housing. The Housing Rehabilitation Program eligibility criteria restrict assistance to low-income homeowners in the jurisdictions of the Urban County. *The program has four (4) major components: (1) Owner-Occupied Housing Rehabilitation, (2) Emergency Repair Program, (3) Accessibility Ramp Program, and (4) Manufactured Home Rehabilitation Program. When feasible, any work will be conducted in a manner to maximize the energy efficiency impacts of work.*

OCED is responsible for executing all program activities in compliance with the adopted guidelines, procedures, and applicable HUD and other regulations. OCED is responsible for the general oversight of the program, which include policy oversight. All policies contained herein became effective on the date of adoption by the Urban County Executive Committee (UCEC) and apply to current and future applicants.

Due to the nature of the programs, it is expected that there will be more applicants than funding available for projects. There is a waiting list for qualified applicants who are not selected for the current cycle of funding. The programs will provide assistance to low- and moderate-income households regardless of race, religion, age, national origin, sexual orientation, marital status or disabilities.

B. Eligibility Requirements – Applicant

Qualification of applicants for the Housing Rehabilitation Programs described in this document is determined by program staff according to the following criteria:

1) **Housing Type:** The applicant must have owned and occupied the 1-4 unit residential dwelling to be rehabilitated as his/her primary residence for at least one year at the date of application for assistance through any housing rehabilitation program. The applicant must reside within the jurisdictions of the Urban County. The **jurisdictions of the Urban County include**: the City of Ann Arbor, the City of Ypsilanti, Ypsilanti Township, Ann Arbor Township, Superior Township, Pittsfield Township, Scio Township, Salem Township, Bridgewater Township, Northfield Township, York Township, Saline City, Saline Township, Manchester Village, Manchester Township, Lodi Township, Webster Township, and Dexter Township. Program assistance is made only to the legal owners of the property to be rehabilitated.

2) **Proof of Ownership:** The applicant must provide documentation showing fee simple title, a surviving spouse's homestead interest, a life estate in the property or other evidence which demonstrates the applicant has an equitable ownership interest in the residence. For owners of manufactured homes, the following type of ownership verification is required: a certificate of title for the manufactured home; or a mutually binding contract for the purchase of the

property where the borrower is rightfully in possession and the purchase price is payable in installments.

3) **Citizenship:** The applicant must be a U.S. citizen or a legal resident alien.

4) **Legal Issues:** Properties affected by any litigation or legal disputes (such as foreclosures, judgments, tax liens, mechanical liens, partnership dissolutions, divorce, probate, etc.) are not eligible for financial assistance. Upon the final resolution of litigation, the applicant may apply for rehabilitation assistance. In most cases, program assistance will not be provided to recipients of a reverse mortgage. Applicants with a reverse mortgage seeking assistance to the OCED Emergency Repair Program will be considered on a case by case basis for the grant program only.

5) **Insurance:** Homeowners are required to carry current property liability insurance (with coverage adequate to cover the County's lien position) at the time of application. When a deferred loan is provided, the homeowner shall maintain the required liability insurance coverage for the duration of the deferred loan, as outlined in the applicable security documents. The insurer must identify the County as Loss Payee for the amount of the deferred loan(s). All properties located in a 100-year floodplain must be covered by flood insurance prior to receipt of grant and loan funds.

6) **Previously Assisted Households:** Applications will not be accepted from households who have previously received rehabilitation assistance on the same property until a period of fifteen (15) years from the date of completion of rehabilitation work has elapsed. Applications will not be accepted from households who have previously received emergency repair assistance for a period of five (5) years from any previous emergency assistance.

7) **Housing Equity:** The ability of the homeowner to repay the loan will be evaluated at the time of application. There must be sufficient equity in the home to be rehabilitated to secure the first mortgage (if applicable) and the OCED lien. The total outstanding mortgage debt on the house, including the rehabilitation loan cannot exceed 100% of the value of the home. The value will be determined as the current SEV (State Equalized Value) multiplied by 2.

   For example: If the SEV is $50,000, then the value of the home is $100,000. If the homeowner has a $70,000 lien on the property from a mortgage, then the maximum rehabilitation loan is $30,000. $70,000 + $30,000 = $100,000, which is 100% of $100,000.

8) **Suitability for Rehabilitation:** In cases where it appears that it is economically infeasible to rehabilitate the house, an economic analysis will be done. To determine the economic feasibility of the rehabilitation project, the total amount spent on the home cannot exceed 75% of the after-rehabilitation appraised value of the property. For example, if the property is valued at $100,000, the rehabilitation project cannot exceed $75,000, from all sources. Properties that are near the 75% threshold will be evaluated on a case-by-case basis. After rehabilitation value will be determined by adding 25 percent of the rehabilitation loan (RL) amount to the Assessor's market value (MV). [MV + (.25 of RL)] = ARV * 50% = RL.

9) **Manufactured Home Determination:** Rehabilitation may be completed on manufactured homes if it is determined that the home meets established criteria. The blue book value of the manufactured home may be used and can be found in the N.A.D.A. Manufactured Housing Appraisal Guide. The following additional criteria will be considered when evaluating a manufactured home application for assistance: 1) No manufactured home will be assisted that is located in a park community facing foreclosure or whose viability is in question. 2) No manufacture home will be assisted that is over 35 years old. 3) No manufactured home will be assisted where the amount of work proposed is greater than the 125% of the Blue Book value of the home. 4) No home will be assisted where the rehabilitation specialist judges that conditions in the home make rehabilitation work infeasible.

10) **After-Rehabilitation Value for HOME funds**: An after-rehabilitation value must be calculated to determine if the property is eligible for HOME funds. For HOME funded projects, the after-rehabilitation property value shall not exceed 95% of the median home value for Washtenaw County, as determined by HUD. The formula will be the SEV multiplied by two (2) which will be compared to three (3) comparable homes in the neighborhood. HUD publishes maximum after-rehabilitation values for the HOME program.

11) **Payments Not in Default:** Any jurisdiction within the Urban County is prohibited from conducting business with any entity (including applicants) that is in default. Therefore, all municipal taxes and/or municipal utilities, fees, and penalties (for example, parking tickets, citations, etc.) must be paid in full prior to executing agreements for rehabilitation assistance with the contractor and homeowner. In addition, all private mortgage payments and land contracts must be current at the time of application. Applicants residing in manufactured home parks must be current on lot rent at the time of application.

12) **Property Taxes:** In order to be determined eligible for the housing rehabilitation programs, the applicant's property taxes must be current. Property taxes must not be delinquent for any tax year unless the homeowner has entered into a written agreement with the taxing authority outlining a payment plan for delinquent taxes and is abiding by the written agreement. Proof of the payment plan with the taxing authority must be submitted at the time of application.

13) **Mortgage:** The homeowner must be current with his/her mortgage (the payments due and payable to the mortgage company may not be more than 30 days past due) in order to receive housing rehabilitation assistance.

14) **Land Contracts:** When the property of the applicant is held under a land contract, the land contract must be a written, legally binding instrument which has been recorded with the Register of Deeds. The land contract seller must be a co-signer on the housing rehabilitation security documents.

15) **Conflict of Interest:** Washtenaw County and/or Urban County jurisdiction employees, contractors, elected officials and their immediate family members and business associates are ineligible to participate in programs administered by OCED. Former employees of the Urban County member jurisdictions are ineligible for one year after termination of employment. No official, employee, agent of Washtenaw County and the Washtenaw Urban County who exercises policy and/or performs decision-making functions or responsibilities in connection with the planning and/or implementation of the Housing Rehabilitation Programs shall directly or indirectly benefit from this program. This prohibition shall continue for one year after an individual's relationship with the program ends. Any other employee, officer, or board member may be eligible, but will be treated without preference in the determination of applications accepted for funding. A waiver process shall be available to allow for the previously identified ineligible persons to be considered for participation in the Housing Rehabilitation Programs. This waiver process will consist of request for HUD approval. Each person requesting a waiver must describe their need for participation in the Housing Rehabilitation Programs and, if approved, agree to disassociate themselves from any decision-making that directly affects them. However, this prohibition can be waived on a case-by-case basis if approved by the OCED Director, the County Attorney and HUD. In particular, if an employee of the county or an Urban County jurisdiction is not involved in the decision-making or approval process for HOME or CDBG funds, an exception can be made, if approved by HUD. A public notice stating the nature of the conflict of interest must be published in a general circulation newspaper.

16) **Program Priorities:** After considering factors such as funding availability and the property's suitability for rehabilitation. ***OCED has established the following priorities for the housing rehabilitation programs:***

- *Priority #1: Households in Urban County jurisdictions that have been under served*
- *Priority #2: Households with disabilities*
- *Priority #3: Households with an elderly member (62 years of age or older)*
- *Priority #4: Single parent households*
- *Priority #5: Households with children*
- *Priority #6 length of time on waiting list*

17) **Income Eligibility**

1. **Definition:** Households at or below 80% of the Area Median Income are eligible for assistance, based on annual income data provided by HUD. Applicants for the Accessibility Ramp Program may not exceed 80% of the Area Median Income.

2. **Household Size:** Income limits are adjusted by household size, therefore, one of the first steps in determining eligibility is to determine the size of the household. Some households may have members whose income, if any, is not considered when calculating annual income. Do not count the following household members when determining family size or annual income:
   - Foster Children
   - Live-in Aides
   - Children of Live-in Aides
   - Unborn Children
   - Children of non-custodial parents (i.e. time with parent is less than 50%)
   - Children being pursued for legal custody or adoption who are not currently living within the household.

   Note: If a member of the household is 18 years or older, and not working, a notarized statement to that effect is needed. If the household has children eligible for child support and the applicant does not receive child support, a notarized statement to that effect is required.

3. **Income Limits:** Applicants must have gross annual household incomes at or below the applicable income limits, adjusted for household size, established by HUD for Washtenaw County. The applicable income limits for determining program eligibility are published by HUD, and updated annually. The income limits in place at the time of applicant approval will apply when determining eligibility. The homeowner will be required to provide income documentation at the time of application.

4. **Income Qualification Criteria:** Projected annual gross income of the household will be used to determine whether the applicant meets the published income limits. Income will be verified by using the following information including but not limited to: tax returns, pay stubs, subsidy checks, bank statements and third party verification of employment forms sent to employers. Also, a homeowner's overall debt-to-income ratio may not exceed (50%) percent, including any monthly payments for a housing rehabilitation loan (if applicable).

5. **Included Income:** OCED will **include** any income from the following sources when determining program eligibility: ***gross*** earned income of all adults (18 years of age and older) residing in the household, unless they are a full-time student, adoption assistance payments (up to $480 per adopted child), alimony, annuities, net business income (gross income less allowable expenses), child support, gifts & contributions, death benefits, dependent income, disability compensation, insurance, interest & dividends, military pay and benefits, pensions, periodic payments, rental property income, retirement funds, self-employment income, severance pay, social security (SS, SSI, and SSA) benefits, Department of Human Services (DHS) assistance, unemployment benefits, veterans' benefits, & worker's compensation.

6. **Excluded Income**: OCED will **exclude** any income from the following sources when determining eligibility: adoption assistance that in excess of $480 per adopted child, foster care payments, holocaust reparations, home care payments, income specifically excluded by federal statute (see list), inheritances (lump sum payments only), insurance payments (lump sum only), live-in aide or chore provider, medical reimbursements, military pay for individuals exposed to hostile fire, non-recurring income, reimbursement from public programs (back pay, etc.), resident service stipend, sporadic income, state or local tax credits, student financial assistance, income in excess of $480 for full-time students, temporary income, and income from training programs.

7. **Assets**: The assets for your household may not exceed $30,000 for non-seniors and $50,000 for seniors (age 62 and up). Assets include money in savings and/or checking accounts, cash values of life insurance policies available to the applicant before death, certificates of deposit, stocks, bonds, money markets, and other investment accounts, lump sum receipts (i.e. lottery winnings, inheritances, victims restitutions, insurance claims and settlements, etc.) real estate other than the property you occupy and other capital investments, business assets, and personal property held as an investment (i.e. gem or coin collection, paintings, antique cars, etc.). Excluding retirement funds held in a pension account, retirement fund, 401K plans, 403b plan trust fund that are not available for liquidation are exempt from the asset test.

18) **Waiver Requests:** If applicant does not meet these eligibility requirements, a waiver of eligibility requirements can be requested. See Chapter 13 for waiver requests.

19) **Assumption of Loan:** In the event that a homeowner sells, transfers title, converts the home to a rental property or discontinues residence in the rehabilitated property for any reason during the loan compliance period, the loan becomes due and payable unless:

a) The homeowner who received the loan dies and the heir to the property meets income requirements and intends to occupy the home as his/her principal residence.
b) Upon approval from OCED, the heir may be permitted to assume the loan at the rate and terms the heir qualifies for under current participation guidelines.
c) If the heir does not meet applicable eligibility requirements, the loan is due and payable.
d) However, if the heirs sell the property, or if the property is sold by any actions of a court to settle outstanding claims or settle the estate, the loan must be repaid to Washtenaw County.
e) The exception to the above is as follows; if a buyer agrees to accept the property with the existing lien and is deemed income eligible as per the funding source guidelines the lien or liens may be assumed by the new owner.

C. Other Terms and Conditions

1) **Deferred Loan Structure:** Assistance for the Owner-Occupied Housing Rehabilitation program is offered in the form of a no interest, thirty (30) year deferred payment loan. The loan recipient agrees to repay the balance upon any change of ownership of said property including but not limited to: transfer by gift, mortgage, sale, and sale by land contract, inheritance, conversion to rental property, or change of homeowner's primary residence. The recipient agrees to immediately notify OCED of any of the above changes. If all conditions are met for the duration of the loan, it will be forgiven at the end of the loan term. The loan may be partially forgiven as specified in the loan document after a ten (10) year period.

2) **Lien Position:** Washtenaw County will only accept a first or second lien position. In a case where the second lien is due to participation in a down payment assistance program to secure the initial purchase of the property, the County may consider a third lien position.

3) **Termination of Contract:** OCED reserves the right to cancel program assistance at any time during the process for cause.

4) **Subordination of Liens:** OCED may consider a request to subordinate liens to other financing if the property owner continues to meet the eligibility criteria and the financing is in the best interest of the property owner. See Chapter 9 for more details.

5) **Maximum Program Assistance:** The maximum and minimum grant amounts available for the rehabilitation program are different and are described below. Participants approved to receive these types of funds **DO NOT** automatically qualify for the maximum amounts.

   a) **Owner-Occupied Housing Rehabilitation Program:** The maximum amount of assistance shall be up to $25,000.
   b) **Emergency Repair Program:** The maximum amount of assistance shall be up to $5,000 in the form of a grant. Projects between $5,000 and $10,000 shall be in the form of a Deferred loan.
   c) **Manufactured Home Program:** The maximum amount of assistance shall be up to $7,500 in the form of a grant.
   d) **Accessibility Ramp Program:** The maximum amount of assistance shall be up to $8,000. All ramp projects shall be in the form of a loan.

   Projects exceeding the maximum program amounts must be approved by the OCED Director who will report such exceptions to the Urban County Executive Committee as determined

D. Processing Steps

1) **Pre-application:** Applicants will complete a pre-application form by mail, on-line or by contacting OCED to complete the pre-application over the phone. The applicant will be contacted to verify the information provided by mail or online and discuss the nature of their housing rehabilitation needs.

2) **Initial Inspection:** After the completion of the pre-application, the Rehabilitation Specialist will schedule a visit to inspect the home and verify the scope of work needed.

3) **Environmental Review:** An environmental review will be conducted to ensure that the property is eligible for federal funding. The following are potential environmental conditions that may impact eligibility:

   a) Properties that are in a floodway are not eligible. Properties in a floodplain must carry flood insurance for the life of the recoverable grant.
   b) Properties that are in a historic district may require approval from the Historic District Commission and/or the State Historic Preservation Office (SHPO) before work may commence. Properties which have potential historical significance must be rehabilitated in accordance with the requirements of the SHPO.
   c) Properties that exceed the federal noise guidelines due to close proximity to railroads, major streets, and/or airports, may require noise mitigation work as part of the rehabilitation work.

4) **Intake Appointment:** The applicant must complete an application which will be used by the Intake Specialist to determine program eligibility. Applicants must provide the following information including but not limited to: ownership documents, property insurance, property tax payment verification, sources and amounts of income, utility bills, and other information as noted in the Intake Appointment Checklist. The application must be signed by the

applicant(s) and all supporting documentation must be submitted during the Intake Appointment to avoid delays in processing. The Intake Specialist will verify all information submitted. Eligibility is determined based on household income and the guidelines in Section B "Applicant Eligibility". The applicant will sign a privacy statement, which gives the Intake Specialist permission to verify all information provided in the application. Decisions regarding approval of an application for assistance will be completed and rendered within 15 business days of submittal of all required information.

5) **Title Search:** A title search will be ordered on all properties, except for applicants of the Emergency Repair Program. Ownership will be confirmed with On-Line Assessment and Property Tax data system (BS&A).

6) **Lead Based Paint:** This program must comply with federal and HUD regulations regarding lead-based paint hazards. All houses built prior to 1978 (the year that lead-based paint was outlawed in residential structures) will be screened for lead-based paint hazards. An initial inspection will be conducted of deteriorated paint to determine if surfaces with lead-based paint will be disturbed during renovation. The Rehabilitation Specialist must determine whether the rehabilitation calls for lead hazard control measures. This may involve hiring a risk assessor or lead inspector who will determine whether lead hazards exist and what methods must be used to control them. After the work is completed, a clearance test of the construction area may be conducted to confirm the absence of lead hazards. The Contractor and Rehabilitation Specialist will work closely ensure the safety of the occupants as well as to minimize the need to displace occupants during the rehabilitation work. After you have shown that you meet the program eligibility requirements, you will be given a pamphlet developed by the Environmental Protection Agency entitled *Protect Your Family from Lead in your Home.* You will be asked to sign a form acknowledging receipt of the pamphlet.

7) **Waiting List Management:**

The waiting list for the Housing Rehabilitation programs will be maintained in accordance with policies established in this manual. The applicant will be required to complete a preliminary application form to register their interest in participating in the Housing Rehabilitation Program. The preliminary application form requests basic information about the applicant, the applicant's property, and the occupants. Applicants will be selected from the waiting list based first on established preferences or priorities for providing assistance and second, based on the date and time of their approved preliminary application (first-in first-out) (refer to "Program Priorities" for additional information).

As each applicant reaches the top of the waiting list, a letter is sent to verify that they are still interested in participating in the housing rehabilitation program. The applicant must contact OCED within the specified allotted amount of time to declare a continued interest in the rehabilitation program. If an applicant does not respond, the applicant will be removed from the wait list; however, the applicant may reapply at another time. When an applicant responds with continued interest, an appointment is scheduled for an intake interview.

Applicants must complete a full application containing information necessary to make a determination of program eligibility. It is the responsibility of the applicant on the waiting list to notify OCED of any changes in occupancy, household income, family composition, or any other information on the preliminary application. An applicant must meet all applicable eligibility requirements as described in these policies, at the time their name is selected from the waiting list. If the homeowner cannot meet the requirements for eligibility, the homeowner will be informed of the determination of ineligibility. An applicant's eligibility for assistance is based on the approved policies and procedures that are in effect at the time the applicant is selected for processing from the waiting list.

8) **Work Specifications (Work Write-up):** Once the completed application is approved, the

Rehabilitation Specialist shall conduct a second inspection of the unit and prepare work specifications describing in detail the work to be completed and cost estimate. All work items shall be clearly explained and be in general conformity with *the Contractor's Manual and All Trades Master Specifications for the Office of Community and Economic Development Housing Programs.* The Master Specifications do not supersede local building codes. The work specifications will be reviewed with the applicant and he/she has to sign off on the work specifications authorizing to the Rehabilitation Specialist to solicit bids. If a home is 50 years or older, the Rehabilitation Specialist will provide notice to the State Historic Preservation Office (SHPO) with a narrative outlining the proposed work specifications along with a current picture of the home. If the site is of historical significance, the Rehabilitation Specialist may request SHPO to approve the work specifications or make recommendations to modify the work specifications. The homeowner must understand that "general property improvements" or "cosmetic" improvements are not eligible for funding. Only work that is directed toward correcting a code violation, meeting a code requirement or is an eligible activity can be funded. The work specifications will provide a clear, detailed understanding of the nature and scope of the work to be done because it serves as a basis for bids from contractors. The homeowner should have a clear understanding of the nature and scope of the work to be done and any limitations that may exist. General improvements are not eligible for housing rehabilitation assistance unless approved by OCED Rehabilitation staff.

9) **Cost Estimates:** The Rehabilitation Specialist shall prepare a cost estimate for the proposed work order. The estimate will be used as a guideline when reviewing bids received from contractors.

10) **Bidding Process, Contractor Selection:**

a) The Rehabilitation Specialist will notify active contractors on its approved list of the availability of work and establish a date for the return of bid packets. The applicant must allow potential contactors to conduct a mandatory pre-bid site inspection with the Rehabilitation Specialist to enable the contractors to submit accurate bids.

b) Bids are opened at the designated time and bid tabulation is prepared for review with the homeowner. The lowest responsive, responsible bid will generally be recommended to the property owner for acceptance, unless the contractor appears to have a low bid due to an incomplete response. However, the owner has the right to reject any and all bids, or select a contractor of his/her choice, provided the difference in costs are paid by the owner. The property owner may select any eligible bid, as long as the price quoted is within 15 percent (15%) lower or 15 percent (15%) higher than the cost estimate prepared by the Rehabilitation Specialist and does not exceed the maximum dollar limits of the program. If none of the bids solicited are within 15 percent (15%) lower or 15 percent (15%) higher of the work write-up, the proposals may be rejected and other proposals may be obtained that are within the specified cost limits. The owner has the option to reject all bids not within 15 percent (15%) of the cost estimate.

c) A 10% contingency amount for unforeseen items will be added to the bid amount in order to establish the total contract amount *which shall not exceed maximum funding allowed by program guidelines.*

11) **Contract Documents:** Contract documents to be executed by the property owner and contractor will be prepared by the Intake Specialist for review and approval at the pre-construction meeting. The contract documents include the *owner/jurisdiction and owner/contractor agreements as well as the appropriate mortgage and promissory note*. The Intake Specialist and Rehabilitation Specialist will set up a pre-construction meeting with the Homeowner and Contractor to explain the documents and to obtain necessary signature(s). The mortgage and note security documents will include all soft and hard project costs with the exception of the lien filing fee. Examples of soft costs include the title search, lead paint

inspection, credit report, etc.

12) **Approval Process:** All bids will adhere to County Procurement policies and bids for rehabilitation projects over $25,000 must be reviewed and approved by the OCED Director. All contracts are signed by the OCED Director, Corporation Counsel, the County Administrator, and the County Clerk. All parties shall receive a copy of the contract with the original signatures.

13) **Pre-construction Meeting:** A pre-construction meeting will be arranged between the homeowner, the contractor, the Intake Specialist, and Rehabilitation Specialist to cover the following items:
    - Review work write-up, making sure both the Homeowner and Contractor understand that only items in the work write-up will be accepted and paid with the financial assistance from OCED (unless there is an approved "change order").
    - Review payment schedule and contractor project schedule.
    - Review change order procedure; emphasize no "extra" work to be performed without an approved change order.
    - Discuss security documents including the mortgage and note.
    - Discuss contractor responsibility for purchasing permits and calling for inspections with the appropriate Building Department and Rehabilitation Specialist.
    - A *Notice of Right to Cancel* will be given to the homeowner.
    - A *Notice to Proceed* will be given to the contractor. The homeowner will be given a copy of the *Property Owner's Manual*.
    - The *contracts* will then be executed with the homeowner and contractor.

    Federal regulations re*garding lead-base*d paint will be discussed with each applicant during the pre-construction meeting. The roles of the Risk Assessor, Rehabilitation Specialist and Contractor will be explained by the rehabilitation staff as they relate to the correction of any lead-based paint problems. Upon completion of the inspection/risk assessment process, the homeowner will be given a copy of the lead inspection report by the Rehabilitation Specialist and a copy of the report will be maintained in the homeowner's case file.

    An executed copy of the contracts and the pre-construction checklist shall be furnished to the homeowner and maintained in the project files.

14) **Notice of Right to Cancel:** After approval and signature of all contracts, the homeowner is provided two copies of the *Notice of Right to Cancel* form. The homeowner has three (3) business days from the signature date on the contract to cancel the project without any penalty or repayment. After the rescission date has passed, a purchase order will be set up with the Purchasing Department on behalf of the homeowner for the rehabilitation work to be completed. The Contractor cannot begin work until this 3-day rescission period is over.

15) **Notice to Proceed:** Upon execution of the contract documents by the property owner and the general contractor, a *Notice to Proceed* will be issued by the Rehabilitation Specialist. Work must begin within twenty-one (21) calendar days of receipt of the *Notice to Proceed* and be completed within ninety (90) calendar days of receipt of the *Notice to Proceed*. Work performed prior to the start date on the Notice to Proceed is not reimbursable under the program.

16) **Time For Completion:** Any contractor who does not begin or complete the work within the time specified in the contract may be assessed liquidated damages of $100.00 per day for each day he/she runs over the established completion date as identified on the *Notice to Proceed* and/or does not start within 21 calendar days of the *Notice to Proceed*. The contractor is expected to staff the project each working day of the week. Contractors must notify both the property owner and Rehabilitation Specialist to request an extension of the

completion date and state the reasons for such extension. If approved by program staff, based on an inspection of ongoing work, the new completion date must be approved by the property owner and documented in the project file. Contractors will not be granted more than two time extensions, unless extraordinary circumstances (as determined by the Rehabilitation Specialist and his/her supervisor) justify a further request. This provision is contingent upon labor disputes, accidents, Acts of Government, or Acts of Nature.

17) **Access to Premises:** The homeowner will provide the contractor full access to the premises between the hours of 7:00 a.m. and 6:00 p.m. on weekdays unless additional and/or alternative times are approved by the homeowner. Prior to any work being done, the homeowner will remove all personal property from the designated work areas. Items left in the work area will be limited to normal amounts of furniture and appliances and personal property which can be stored in closets, dressers or cabinets. The homeowner will permit the contractor to use, at no cost, existing utilities such as light, heat, power, water, and electricity necessary to carry out and complete the work. Failure to comply may cause the project to be discontinued at the homeowner's expense. It is the homeowner's responsibility to secure all pets during the inspection, write-up and rehabilitation process.

18) **Change Orders:** The contractor is responsible for completing items identified in the work specifications as bid and approved. Any changes to the work, including additions to work, deletions, cost changes or time extensions will be noted on a change order form to be prepared by the Rehabilitation Specialist and approved by the Homeowner, Contractor, Rehabilitation Specialist and/or the Operations Manager. Once the project has begun, the Rehabilitation Specialist shall have the ability to authorize work which is discovered in the course of construction and determined to be necessary for the completion of the project. This additional work shall be reflected in a change order. The change order must contain:

- Description of modifications
- Change in contract price
- Description of how additional costs (if any) will be covered
- Quantities and measurements of the modifications
- Certification of the cost estimate(s) by the Rehabilitation Specialist

19) **Inspections:** Housing rehabilitation work will be monitored by the Rehabilitation Specialist for compliance with specifications set forth in the work write-up. The project file narrative will include a record of all inspections.

20) **Payments:** Payments will consist of three (3) draw requests against the total sum of the contract. Payments will be based on the amount of work completed as described in the work specifications. The contractor shall submit requests for payment of completed work to the Rehabilitation Specialist. Upon receipt of a Contractor's request for payment, the Rehabilitation Specialist and the Homeowner must inspect the work and determine if it is acceptable. Please note that payments will not be authorized by the Rehabilitation Specialist until the items identified on the request for payment by the Contractor have been inspected and approved. Work that is cited by the Rehabilitation Specialist as not meeting the specifications will not be approved for payment. The homeowner must sign off on payments to the Contractor upon satisfactory completion of the work, and inspection by the Rehabilitation Specialist. Payment requests will be processed within 21 calendar days of receipt by OCED. Payments shall be made to the Contractor in three (3) draws as work is **completed, inspected and approved** by the Homeowner and Rehabilitation Specialist in accordance with the following ***Draw Schedule***:

- First Draw: 40% of the contract amount upon completion of work
- Second Draw: 40% of the contract amount upon completion of work
- Third (Final) Draw: remaining balance of the contract upon completion of work

21) **Project Close Out:**

- **Final Inspection:** After completion of all rehabilitation work in the write-up and change orders, a final inspection will be conducted by the Rehabilitation Specialist. The Rehabilitation Specialist and the contractor should make the final inspection together. If additional work, clean-up, or corrections need to be accomplished, a written punch list is developed by the Rehabilitation Specialist. The punch list is simply a detailed itemized list of all items remaining to be completed. The contractor is provided this list with instructions that upon completion of all punch list items, a certificate of completion and final inspection is prepared and signed by the Rehabilitation Specialist.
- **Contract Close-Out:** Once the rehabilitation work is completed, and the final project cost is determined, if the amount has changed, new security documents (i.e. mortgage and note) will be prepared by the Intake Specialist and to be signed by the homeowner. The security documents will be filed with the Washtenaw County Register of Deeds office.
- **Closing Statement/Survey:** Upon completion of the rehabilitation work the Intake Specialist will provide the homeowner with a closing statement that serves as a summary of the project including contractor and warranty information. In addition, a survey will be sent allowing the homeowner(s) an opportunity to provide feedback on the housing rehabilitation program and work completed by the contractor.

22) **Complaint Resolution:** Complaints from the homeowner concerning the housing program shall be in writing and addressed to the OCED Director (or his/her designee). In the event concerns or problems arise between the Homeowner and Contractor, OCED rehabilitation staff will attempt to resolve the dispute prior to the release of final payment. See Chapter 13 for additional information on the complaint resolution process.

23) **Warranties:** The general contractor shall furnish a limited one (1) year warranty on labor and materials from the date of the recorded notice of completion of all work performed under the contract. Manufacturers' and suppliers' written guarantees and warranties, covering materials and equipment, furnished under the contract shall be furnished to the homeowner. In instances where the living environment, lack of maintenance or damaged covered by homeowners insurance during the rehabilitation of the home, the warranty coverage will not apply. An example is where a pet has caused damage to door frames or siding.

    Where materials or subcontracted work are covered by an extended warranty, copies of the warranty must be provided to the Homeowner during project closeout. The homeowner is responsible to notify the contractor first of any warranty claims during the contractor's one-year limited warranty. The homeowner shall notify the contractor directly, and explain the problem to him/her and schedule a date and time for the contractor to correct the problem. If the contractor fails to honor or respond to a warranty claim, the homeowner may contact OCED for assistance.

E. Program Assistance Categories

A project may be deemed infeasible if the cost to complete all of the needed repairs exceed the respective program limits outlined below. The cost would be determined either from estimates determined by program staff and/or from contractor bids received on a project.

I. Owner-Occupied Housing Rehabilitation Program

- Deferred loans are available up to $25,000 to rehabilitate/repair low-income, owner-occupied homes throughout the jurisdictions of the Urban County for families earning 80% or less of the Area Median Income.
- The Owner-Occupied Housing Rehabilitation program provides the general rehabilitation necessary to bring the structure into compliance with applicable building codes,

rehabilitation standards, and lead-based paint regulations.

- The program addresses actual and incipient building, health, and safety code violations, accessibility improvements, energy improvements, which may also be performed as part of any housing rehabilitation project authorized under this program.
- This is a deferred, no interest loan that becomes due and payable upon sale, rental, refinance, and transfer of the property. The loan will be forgiven if the owner resides in the property for 30 years, and may be partially forgiven as specified in the loan documents after a 10 year period.
- There is no monthly pay back provision for Housing Rehabilitation loans.

II. Owner-Occupied Emergency Repair Program

- This program offers funding for urgent repairs up to $5,000 as a grant or up to $10,000 as a deferred payment loan to low-income, owner-occupied households within the jurisdictions of the Urban County. Emergency repair loans shall be in the form of a deferred, no interest loan that is forgiven at a rate of one-fifth per year for the five year period after project completion.
- Emergency repair grants or loans may be made to pay for construction work to correct items that are determined by the Rehabilitation Specialist to be of an immediate and necessary nature and which can have an imminent effect on improving the health and/or safety of the occupants and meets the following definition: An emergency is a situation or condition that develops without warning, that is detrimental to or a threat to life, health, or safety, and requires immediate action.
- This program includes emergency repairs in plumbing, electrical, roofing, and heating. This program is not intended to address problems which would be considered routine maintenance.
- Emergency grants will be limited to a one-time assistance during a five-year period regardless of whether a grant or loan was received originally.

III. Owner-Occupied Accessibility Ramp Program

- This program offers grants up to $8,000 for the installation of exterior ramps to homes occupied by very low income persons (up to 80% AMI), adjusted for family size, in order to improve their accessibility. Manufactured homes are eligible for this program on a case-by-case basis.
- The program provides the funding for the material and labor cost incurred to install a ramp for any homeowner throughout the jurisdictions of the Urban County earning less 80% or less of the Area Median Income.
- All accessibility projects shall include a property lien. The terms of the property lien for the Accessibility program shall indicate that the loan is to be forgiven provided that when the client no longer requires the use of a ramp that OCED has the discretion to reclaim the ramp for reuse in the OCED housing rehabilitation program. If the household does not return the ramp to OCED then the cost of the ramp installation shall be repaid or collected upon sale, rental, refinance, or transfer of the property.
- OCED shall have the sole discretion to accept the equipment for reuse (OCED will evaluate the condition of the ramp, and arrange and pay for the used ramp to be removed and relocated), require repayment of lien amount, or waive repayment.
- Accessibility ramp grants will be limited to a one-time assistance per dwelling during a five-year period.

IV. Manufacturing Housing Rehabilitation Program

- This program offers a grant up to $7,500 to manufactured homes owned and occupied by low income households located within a manufactured home park, and within the jurisdictions of the Urban County.
- These one-time grants may be used for roof repairs, plumbing, electrical or heating systems, broken windows, and other needed renovations.

V. Energy Efficiency Home Improvement

- This program will offer energy efficiency related home improvements to participants of the Owner Occupied Rehabilitation program, the Emergency Repair Program and the Accessibility Ramp Program. The income threshold is 80% AMI.
- Work offered thru this program will be determined by the Weatherization Assistance Program (WAP) energy audit. All energy efficiency measures offered for installation will have a Savings to Investment Ratio (SIR) greater than 1.0 as determined by current WAP energy audit guidelines at the time of inspection. Potential improvements may include: attic or wall insulation, air sealing and high efficiency furnace replacement. Air conditioning is not an allowable measure for this program.
- The work offered through this program will be in the form of a grant. The funding limit for each participant will vary based on the amount of work called for in the energy audit. The range of funds to be provided could roughly range from $200 to $8000 depending on the size of the house and audit approved measures.
- If a client is eligible for the standard Weatherization program they will be directed to apply for Weatherization. Work under this program is not intended to displace participation in the weatherization program. Preference will be given to current participants of other

F. Property Maintenance Standards

When public funds are made available to correct serious health and safety deficiencies in a home, it is expected that your property will be maintained in a safe and sanitary condition, as well as being in compliance with any ordinance in effect in the municipality in which you reside.

At the time of your intake interview you will be asked to review and sign a maintenance agreement regarding blight conditions, stating that you will comply with this agreement, and that you understand no work will be initiated until such time as your property is found to be in accordance with this policy. If during the conduct of work it is determined that a Homeowner has failed to comply with the agreement, rehabilitation work can be terminated at the discretion of the Rehabilitation Specialist.

G. Temporary Relocation

OCED has chosen to provide relocation assistance to low and very low income persons displaced from their homes because of rehabilitation of the home under a program funded by the County. This relocation assistance is beyond the scope of assistance required by the federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (84 Stat. 1894; 42 U.S.C. 4601 et seq.; Pub. L 91-646) as amended by the Uniform Relocation Act Amendments of 1987 (Title IV of Public Law 100-17), and will establish a mechanism for provision of assistance to low and very low income persons with no other financial resources, who must relocate from their residences in order to allow for rehabilitation work to proceed. This policy is intended to meet the requirements of the Community Development Block Grant (CDBG) regulations, 24 CFR 570.606

(d) (Optional Relocation Assistance), which state "The grantee…must adopt a policy that describes the relocation assistance that the grantee…has elected to provide….", in order to use CDBG funds for relocation beyond the requirements of the Uniform Relocation Act.

Housing rehabilitation can create health and safety hazards, or temporarily render a dwelling unit uninhabitable, making the temporary relocation of the occupant necessary. The Rehabilitation Specialist will be responsible for recommending temporary relocation assistance to the homeowner on an as needed basis. The Rehabilitation Specialist will determine if the repairs or rehabilitation work will impose a hardship on the homeowner and/or detrimental to an existing medical condition.

Services provided:

1. **Temporary Housing In A Motel/Hotel:** Up to fifteen (15) days lodging, preferably in a room(s) with kitchenette accommodations, at the lowest costs for appropriate accommodations. The OCED Director must approve an extension for any hotel/motel assistance that exceeds the allowable time frames. If the temporary housing does not have kitchen facilities, food allowances will be allowed on a per diem basis, not to exceed the state per diem rate per person per day. The per diem shall be adjusted based on the number of individuals within the family unit receiving assistance.

2. **Moving Expenses:** Actual cost of moving personal property to the client's new location may be paid on behalf of the client to the moving company, up to a maximum expense per household unit to be determined by OCED rehabilitation staff.

3. **Storage Costs:** Should it be necessary to place some portion of the client's possessions in storage during the rehabilitation period in order to clear the way for construction activity, this expense may be paid as a part of the moving costs.

4. **Housing Inspection:** The Rehabilitation Specialist shall conduct an inspection of the unit to be used as temporary housing, and certify that the unit meets local code standards, at a minimum. This service will be provided to the client to ensure County funds are used appropriately.

Eligibility Criteria:

Income: Benefits shall be made available to low and very low income persons participating in the owner-occupied housing rehabilitation program(s) as defined by OCED, using income guidelines published annually by HUD and incorporated here by reference. These guidelines identify the median family income for the County and define low and very low income in relation to the median family incomes, with adjustments for family size. The income guidelines in force shall be provided by OCED rehabilitation staff as they are issued by HUD.

Insurance restrictions: If the household being relocated has insurance coverage that will pay for any portion of the benefits available from OCED, the insurance shall take precedence and the relocation benefits shall not be paid with OCED funds for that portion.

Repetition of Benefits: A person who has been a household receiving temporary relocation assistance as a participant in the housing rehabilitation programs shall not be eligible for relocation assistance under this policy until all liens resulting from previous rehabilitation liens have been satisfied.

Method of Payment: All payments shall be made directly to the vendor, on behalf of the client.

Grievance Procedures: Any person who disagrees with the determination of their eligibility

for assistance under this program may appeal the decision to the OCED Director. Appeals may be handled according to grievance procedures set up by OCED to assure a fair hearing for all parties.

OCED may first establish if the homeowner has relatives or friends that the homeowner can reside with during the time of work. As a last resort, OCED may place the homeowner in a moderately priced motel/hotel located in the same geographical area. The accommodations for temporary relocation shall be comparable facilities. It is imperative that the Rehabilitation Specialist makes sure the rehabilitation work is completed on schedule in an effort to keep relocation costs at a minimum. In no case shall a grant for temporary relocation exceed $3,000 for any one owner occupant. OCED allowing for sufficient budget and availability of the services (reviewed on a case-by-case basis) may utilize CDBG funds to provide temporary relocation assistance.

When necessary, the Rehabilitation Specialist will work with the contractor to design the scope of work to allow for occupancy during rehabilitation in order to prevent temporary relocation. The contractor shall minimize disruption if possible. The Rehabilitation Specialist will consider temporary relocation and/or financial assistance for the following reasons:

1. Health and/or safety of the occupants;
2. Water closet and hand washing facilities are not available for three full days or more;
3. Kitchen facilities are not available for more than three days.

OCED rehabilitation staff will be responsible for making arrangements for and paying the expenses of relocation as listed in the Temporary Relocation Statement. These costs will not be included as part of the dollar amount secured against the Property. The homeowner agrees to comply with any relocation requirements pursuant to the Uniform Relocation Act, as amended, for all tenants temporarily or permanently displaced by the rehabilitation.

H. Forms

General forms and specifications used in the administration of the housing rehabilitation programs are subject to periodic change. The documents do not require Board of Commissioner, City Council, or Urban County Executive Committee review or adoption and therefore may be modified without approval of the above referenced bodies.

I. Variances from Policies

Variances from these policies and procedures shall only be granted by the Washtenaw Urban County Executive Committee, under extraordinary and extenuating circumstance and, upon recommendation of the OCED Director and/or his/her designee. The Washtenaw Urban County Executive Committee will consider a variance to the existing policies that document specific hardship on the part of the property owner or other parties involved in the project, and that granting a variance will further the goals, purposes, and effectiveness of the Housing Programs and will conform to all applicable HUD guidelines.

The Washtenaw Urban County Executive Committee grants a variance to these guidelines when needed to utilize funding sources other than CDBG and HOME funds in order to leverage Urban County funds and maximize resources available to residents.

CHAPTER III

HOUSING SERVICES: DEVELOPERS

General: This chapter outlines guidelines for developers who are proposing to carry out housing construction on properties owned by the developer as owner of rental housing or recently purchased by a homeowner. A periodic Request for Proposal (RFP) will be issued by the Office of Community and Economic Development (OCED) outlining the priorities and evaluation process to determine which projects will receive funding. A developer can be a for-profit or non-profit entity. The developer must follow the County's procurement and contractor selection guidelines outlined in Chapter VIII. If a developer has previously violated guidelines without satisfactory resolution, funds will not be considered for the projects affiliated with said developer.

Funding Sources: OCED has the responsibility to ensure adherence to federal regulations. Prospective applicants should review federal rules and regulations governing HOME and CDBG (as applicable) for additional terms, conditions, restrictions and/or requirements that may apply. The Office of Community and Economic Development will provide assistance as needed through technical support and monitoring.

A. **HOME Funds**

a. **REGULATORY AUTHORIZATION**

i. Federal HOME Investments Partnership Program pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, 42 U.S.C. §12701 et seq. ("Program") and the HOME Investment Partnership Program Rule, 24 C.F.R., all as may be amended from time to time.

ii. Copies of the federal regulation can be downloaded at: http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm.

b. **NATIONAL GOAL**

i. To expand the supply of decent, permanently affordable housing, with primary attention to rental housing, for very-low and low income Americans;

ii. To mobilize and strengthen the abilities of states and units of general local government throughout the United States to design and implement strategies for achieving an adequate supply of decent, safe, sanitary and affordable housing;

iii. To provide participating jurisdictions, on a coordinated basis, with the various forms of Federal housing assistance needed to expand the supply of decent, safe, sanitary and affordable housing.

c. **GENERAL** requirements

i. *Minimum* Affordability Period: is based on the per unit subsidy amount. The County's lien can exceed the minimum affordability period, but it cannot be less than the minimum affordability period. (see p. 45 – 46 for the County's Affordability period and terms)

1. 5 years – under $15,000/unit
2. 10 years - $15,000 to $40,000/unit
3. 15 years – Over $40,000/unit and all refinancing of rental projects
4. 20 years for all new construction projects
   a. Due to market conditions, new construction projects are a low priority

ii. Household Income: Subsidies are only available for units that are affordable to households that are at or below ***80% of Area Median Income (AMI)***.

d. **RENTAL:** Specific Project Requirements

i. 90% of the County's annual HOME allocation funds for HOME-assisted rental units must be rented to families that are 60% or less of Area Median Income.

ii. In projects of 5 or more HOME-assisted units, at least 20% of the HOME-assisted units must be occupied by families at or below 50% of AMI and must not exceed the HOME Low Rent limit. All rents must not exceed the HOME High Rent limits.

iii. The HOME subsidy may be applied as gap financing to the entire cost of the project or to subsidize/buy down the cost of a specific number of units

iv. The County will enforce a minimum of 30 year affordability period, but HOME funds can be reinvested after the HOME affordability period (see above) has ended.

v. Housing Choice (formerly Section 8) Vouchers may not be refused as a payment method.

vi. Tenant information and income verification forms shall be provided to the County and must be completed and submitted to the County before tenant leases are signed. Annual income re-certifications and housing inspections will be required for the life of the contract.

e. **HOMEOWNERSHIP:** Specific Project Requirements

i. Homebuyer eligibility information and income verification documentation must be provided to the County on approved forms a minimum of two weeks prior to the scheduled closing date.

ii. Owner-occupied units shall be subject to long-term recapture or resale restrictions to ensure continued housing availability for low-income households for a period of 20 years

iii. Do not have to be a first time homebuyer to use HOME funds

iv. Must be occupied by homebuyer as primary residence for the full affordability period. If the property is no longer the primary residence, the mortgage lien must be repaid in full.

v. The County is requiring the homebuyer to take a minimum of 8 hours homeownership counseling through the Washtenaw Housing Education Partners (WHEP), or equivalent OCED-approved program, including a home maintenance class. Classes can be found at www.ewashtenaw.org/homeownership

B. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDS

a. **REGULATORY AUTHORIZATION**

i. Federal Community Development Block Grant pursuant to pursuant to Title I of the Housing and Community Act of 1974, and the Code of Federal Regulations at 24 CFR Part 570, as may be amended from time to time.

ii. Copies of the federal regulation can be downloaded at: http://www.hud.gov/offices/cpd/communitydevelopment/programs/entitlement/index.cfm.

b. **NATIONAL OBJECTIVE**

i. Provide decent, safe, and sanitary housing

ii. Provide a benefit to low and moderate-income persons

c. **GENERAL** requirements
   i. Minimum Affordability Period: none under the CDBG program
   ii. Household Income: All CDBG funds shall be used to benefit individuals and families whose income does not exceed 80 percent of area median income,
   iii. Enforcement: Affordability shall be implemented through the execution of mortgage and note and shall be filed with the Washtenaw County Register of Deeds.

d. **HOMEOWNERSHIP:** Specific Project Requirements
   i. Owner-occupied units shall be subject to long-term recapture or resale restrictions to ensure continued housing availability for low-income households.
   ii. The County will enforce an affordability period of 20 years.
   iii. The homebuyer must take a minimum of 8 hours homeownership counseling through the Washtenaw Housing Education Partners (WHEP), or equivalent OCED-approved program, including a home maintenance class. Classes can be found at www.ewashtenaw.org/homeownership
   iv. Does NOT have to be first time homebuyer

e. **RENTAL:** Specific Project Requirements
   i. Rehabilitation of existing subsidized affordable rental housing
   ii. At least 50% of the CDBG-assisted units must be occupied by families at or below 50% of AMI and must not exceed the HOME Low Rent limit. (See Appendix A).
   iii. The County will enforce a minimum of a 30 year affordability period, but CDBG funds can be reinvested during the 30-year affordability period.
   iv. Section 8 Vouchers may not be refused as a payment method.
   v. The County has adopted the HOME rent standards for CDBG rents, which must not exceed HUD's HOME High Rent limits.
   vi. Tenant Information and income verification forms shall be provided to the County and must be completed and submitted to the County before tenant leases are signed. Annual income re-certifications and housing inspections will be required for the life of the contract.

Contract: OCED will prepare a contract with the developer which will include the scope of work, contract amount and timeline. The developer will be responsible for preparing a contract with its general contractor, subject to OCED approval. At a minimum, the following information will be required from the developer before a contract is signed:

a. General Liability, Worker's Compensation, Auto Insurance & Property Insurance in compliance with specifications
b. Living Wage Compliance
c. Financial audit for nonprofits
d. DUNS Report, Credit Report or annual financial statements from for-profits
e. Cure all defaults with the local jurisdiction and Washtenaw County (as applicable)
f. Federal ID and DUNS Number
g. Certification that Developer is not Suspended or Debarred from receiving federal funds

Rental Properties

A. **Property Eligibility Review:** Developer will contact OCED staff to discuss the proposed project and establish the estimated scope of work before the Request for Proposal due date to determine whether a property is eligible and appropriate. If

eligible and appropriate OCED staff will give written approval to proceed. The following information will be provided by the developer in response to the RFP at a minimum:

1. **Relocation:** If the property to be acquired is currently occupied, the developer will provide a list of all current occupants, including names, addresses, and phone numbers to OCED staff. The developer will indicate whether the occupant owns or rents the units. For rental units, the developer will provide lease information, including current rents, the utilities included in the rent and lease expiration dates. Compliance with the Uniform Relocation Act shall be the responsibility of the Developer, and accordingly, costs should be incorporated into any project budget. OCED staff will provide oversight and technical assistance to ensure that relocation benefits are appropriately provided.

2. **NEPA Environmental Review**: A federal Environmental Review will be conducted by the developer and provided to OCED to ensure that the property is eligible for federal funding. The developer will use OCED's Environmental Review Website at: http://gisapp.ewashtenaw.org/comdev/ to review whether environmental issues may be problematic. If a purchase agreement or option to purchase is signed before an Environmental Review is completed, the Purchase Agreement must include a contingency on approval of the Environmental Review. The following are potential Environmental Review conditions that may impact eligibility:
    i. Properties that are in a floodway are not eligible. Properties in a floodplain are discouraged, but if funded, must carry flood insurance for the life of the recoverable grant and provide evidence of flood insurance to OCED.
    ii. Properties that are in a historic district may require approval from a Historic District Commission and State Historical Preservation Office (SHPO) before work may commence.
    iii. Properties that exceed the federal noise guidelines due to close proximity to railroads, major streets, and/or other nearby uses that create substantial noise and/or airport clearance zones, may require noise mitigation work as part of the construction work.
    iv. Properties that are in close proximity to hazardous materials may not be eligible.
    v. The Environmental Review must be completed before activity occurs on a site. Any construction or demolition activity that occurs before an Environmental Review is completed could become ineligible from reimbursement. The following activities are the ONLY activities that may be reimbursed by the County before the Environmental Review is completed:
        1. Earnest money for a purchase option or purchase agreement
        2. Environmental or other site condition or feasibility studies
        3. Professional services such as legal or accounting
        4. Market study
        5. Building or other inspections

3. **Additional Documents for Acquisition & Rehabilitation OR New Construction**
    i. **Purchase Agreement or Option**
    ii. **Title Search**
    iii. **Phase I is required and Phase II Environmental Review, if applicable**
    iv. **Appraisal**
    v. **Survey**
    vi. **Affirmative Marketing Plan**

vii. **Zoning Compliance/Approval**
viii. **Market Study (24 units or more)**
ix. **Development Pro Forma**
x. **Operating Pro Forma**
xi. **Development Team Credentials**
xii. **Property Inspection by a qualified 3rd party contractor (acquisition)**
xiii. **Lead Based Paint Inspection/Risk Assessment (acquisition)**
xiv. **Property Management Plan**
xv. **Relocation Plan (if applicable)**
xvi. **Green Criteria Checklist as found in the RFP**

4. **Rehabilitation Only**
   i. **Title Search**
   ii. **Affirmative Marketing Plan**
   iii. **Development Pro Forma**
   iv. **Operating Pro Forma**
   v. **Development Team Credentials**
   vi. **Lead Based Paint Inspection/Risk Assessment (if applicable)**
   vii. **Energy Audit by 3rd party contractor**

B. **Work Order & Cost Estimates**

1. **Pre-Inspection:** Once a project is recommended for funding, the developer will contact OCED Rehabilitation Staff to complete a pre-inspection of the property to assess the need for rehabilitation or suitability for new construction. Rehabilitation staff will send a copy of the inspection report to the developer.
2. **Energy Audit:** An Energy Audit will be performed by a 3rd party contractor approved by OCED. The recommendations from the energy audit will be incorporated into the work order and cost estimate so that the unit will meet the minimum Energy Star Qualified Rating 4* Plus, which is the equivalent to a Home Energy Rating Certificate of 90-85. A draft or final HERS certificate or an Energy Star Qualified Home Certificate will be required as evidence.
3. **Architectural Drawings and Site Plan:** For new construction projects, architectural drawings and site plan drawings will be submitted to Rehabilitation Staff to review and approve.
4. **Work Order/Specifications:** The final scope of work will be based on the priorities set forth by OCED in Chapter VIII "Eligible and Ineligible Work". The developer will prepare an itemized written work order for work to be completed. If the developer requires assistance from the Rehabilitation Staff, that request for technical assistance needs to be submitted in writing at the eligibility review stage. If OCED determines that the developer does not have expertise on staff, technical assistance will be required. All work items shall be clearly spelled out and be in general conformity with the OCED's *Master Specifications*. The rehabilitation staff will review and approve the work order within 5 business days.
   i. It is the responsibility of the developer to have the work order approved by other funding sources, as applicable.
   ii. If the developer intends to serve as a "general contractor," then individual work order/specifications and estimates must be provided for each portion of the work which is to be sub-contracted.
5. **Cost Estimates:** The developers shall prepare an accurate cost estimate for the proposed work, which will be approved by the rehabilitation staff. The estimate will be used as a guideline when reviewing bids received. The developer may request technical assistance from the rehabilitation staff to prepare cost estimates.

C. **Bidding Process, Contractor Selection:** The developer will follow the County's procurement guidelines as well as its own procurement guidelines, as approved by the

OCED. *Projects will not be bid out* until the Rehabilitation Staff have given written approval of the work order and cost estimates.

1. The developer will be responsible for maintaining and providing these documents to OCED upon request:
    i. Copy of all bid advertisements
    ii. List of contractors that bids were sent to
    iii. Bid walk-through sign-in sheet
    iv. Bid tabulation
2. **Approved Contractors**: Prior to bidding, OCED will provide a list of approved general contractors to the developer. If the developer wishes to bid a project with a contractor that is not pre-approved by OCED, due to the size of the project or the specialty of the work to be done, the contractor must apply for approval by OCED before the contract is awarded. Approval of contractors not on the active bidder list is at the discretion of OCED.
3. **Contractor prohibited from Bidding:** OCED will review all contractors with 3 open OCED-funded projects (excluding emergencies) or $100,000 in combined contracts, whichever threshold is reached first and reserve the right to reject bids based on contractor workload and performance.
4. **Contracts under $5,000:** The developer is not required to solicit bids or quotes for work under $5,000.
5. **Contracts between $5,000 and $25,000:** The developer must solicit and document a minimum of 3 quotes for contracts between $5,000 and $25,000. Quotes must itemize work specifications.
6. **Contracts over $25,000:** At a minimum, the developer shall seek bids from three qualified contractors for all projects over $25,000 through a sealed bid process. ***PLEASE NOTE:*** Although HOME regulations do not require CHDO's to comply with federal procurement regulations under Section 85.36(d), the OCED office is requiring all CHDO's to follow federal and local procurement regulations outlined in these guidelines.
7. **Bid Award:** With the exception of Section 3 certified contractors, the bid will generally be awarded to the lowest responsive and responsible bidder. On a case-by-case basis if the developer determines the lowest bidder is not responsive and responsible, a written request along with supporting documentation must be provided to OCED for a final determination on the bid award. If the developer selects a contractor that is not the lowest responsive and responsible bid, the developer must document the reason for not selecting the lowest bidder and will be responsible for paying the difference in the bids.

    Preference may be given to a documented Section 3 Business Concern with the lowest responsive bid among Section 3 Business Concerns if the bid is within the maximum total contract price in the project budget and the bid is not more than "X" higher than the total bid price of the lowest responsive bid from any responsible bidder (non Section 3 Business Concern). "X" is determined as follows:

    X = lesser of:

    When the lowest responsive bid is:
    Less than $100,000 . . . . . .10% of that bid or $9,000
    At least $100,000, but less than $200,000 . . . . 9% of that bid or $16,000
    At least $200,000, but less than $300,000 . . . . 8% of that bid or $21,000
    At least $300,000, but less than $400,000 . . . . 7% of that bid or $24,000
    At least $400,000, but less than $500,000 . . . . 6% of that bid or $25,000
    At least $500,000, but less than $1 million …….5% of that bid or $40,000
    At least $1 million, but less than $2 million. ……4% of that bid or $60,000
    At least $2 million, but less than $4 million. ……3% of that bid or $80,000

At least $4 million, but less than $7 million. ……2% of that bid or $105,000
$7 million or more . . . . 1.5% of the lowest responsive bid, with no dollar limit.

Any application of these standards shall be based on the submission of a complete Section 3 Plan along with the proposed bid.

8. **Pre-Construction Meeting:** The developer will schedule a pre-construction meeting with OCED and the selected contractor to review contract documents, the work order specifications, timelines, and program compliance requirements.

9. **Contract with Contractor:** The developer will be responsible for preparing a contract with the selected contractor. At a minimum, the contract will include:
    i. Language requiring permits to be acquired when required by state and local building code with copies of permit applications provided to the developer
    ii. Applicability of all requirements to subcontractors
    iii. Environmental Compliance, when applicable
    iv. Section 3 if applicable
    v. Davis-Bacon if applicable
    vi. Scope of work with specifications and drawings
    vii. Fixed-price contract
    viii. Construction timeline with milestones and draw schedule
    ix. Time of Commencement and Completion Clause
    x. Notice to Proceed

D. **Construction**

1. **Notice to Proceed:** When all the documents are signed, the developer will issue a notice to proceed with a specified commencement and completion date. A copy of the notice to proceed must be issued to OCED.
2. **Construction Oversight:** The developer is responsible for monitoring the project and ensuring that all items as signed off on in the work specifications are completed. Any changes to the specifications, including additions, deletions, and changes in costs or time extensions will be noted on a "Change Order" form to be prepared by the developer. For additions to the contract, the developer must prepare an internal specification and cost to determine if the cost is reasonable. For changes in cost, the developer must prepare a cost estimate to determine if the cost is reasonable. ***OCED will approve the Change Order prior to the developer and contractor signing the Change Order.*** Once the project has begun, the developer shall have the ability to authorize emergency work which is discovered by the contractor and requires immediate action necessary for the completion of the work item. This additional work shall be photo-documented and reflected in a "Change Order" and the OCED Rehabilitation staff will be notified before approval is given.
3. **Permit Inspections:** All work requiring permits shall be inspected and approved by the local building authorities.
4. **Progress Payments:** For all projects, the developer shall submit requests for payment of completed construction work to the Rehabilitation Staff and attach supporting documentation including itemized invoices, permits, lien waivers (contractors and sub-contractors) and final inspections. The rehabilitation staff will inspect the work and then authorize payment ***for the completed work only***. The developer shall sign off on payments to the contractor upon inspection and satisfactory completion of work. Payment requests shall be submitted by the developer based on meeting or exceeding the approved work completion schedule determined at the pre-construction meeting. The developer will establish a draw schedule and notify the assigned OCED staff of draw inspections.

Payment requests will be processed within 21 calendar days of receipt by OCED. Developers must pay the contractor within 5 business days of receipt of OCED payment

5. **Advances:** The developer may request an advance on a case by case basis with pre-approval. If an advance was granted, the next draw request must include the back-up documentation and proof of payment for the advance from the previous request. The advance will be deducted from the new draw request.
6. **Final Payment/Property Standard Inspection:** Upon completion, a Property Standard Inspection (PSI) is made, and all supporting documentation including itemized invoices, permits, sworn statements, lien waivers and inspections must be submitted in order to receive final payment. Final waiver of liens and sworn statements must be on file before release of final payment. A copy of the PSI will be provided to the developer.

E. **Developer Fee**: For new construction or acquisition/refinance and rehabilitation, 50% of the developer fee may be drawn at closing, thirty percent when the construction is 80% completed and 20% with the final construction draw. For rehabilitation projects only, the developer fee will be drawn at the same ratio as the construction draws.

1. **New Construction or Acquisition and Rehabilitation:** The developer fee will not exceed 20% of the total development costs for new construction or acquisition and rehabilitation projects.
2. **Rehab Services Delivery/Construction Management:** The time the developer's staff is managing the procurement and construction process of outside contractors, will be included in the developer fee. If the developer is also acting as a general contractor, a construction management fee, not to exceed 5% of the rehabilitation budget, may be charged in addition to the developer fee. However, the construction management fee must be deducted from the total development costs before the developer fee is calculated. If the developer is completing all or some of the construction work, the developer's staff must track the time spent on the project and may charge prevailing wages or actual wages for staff time.
3. **Rehabilitation Only:** For rehabilitation projects that are already owned by the developer at the time of application for funds, the developer fee will not exceed 15% of the total development costs.
4. **Refinance and Rehabilitation:** For projects that are already owned by the developer at the time of application for funds, that the developer is both refinancing and rehabilitating the project, the developer fee will not exceed 15% of the total development costs

F. **Lien** A 30-year lien will be placed on all rental housing projects. The lien will be equal to the amount of assistance provided to the buyer (acquisition and rehabilitation). At the time of sale or transfer of the property or discontinuation as a rental property, the lien must be repaid in full or based on a formula, whichever is greater. The formula is based on a shared increase in the appraised value at the time of sale or transfer. At the time of sale or transfer, the same percent of increase in the appraised value between the initial purchase and the new appraised value will be repaid to Washtenaw County. The greater of this formula and the actual lien amount will be repaid out of net sales proceeds (after paying all liens, closing costs, realtor fees and deducting the initial owner cash investment).

G. **Complaint Resolution:** See Chapter XIV of the Housing Program Guidelines for more information.

HOMEBUYER PROGRAMS

The County subcontracts with developers to provide the following homebuyer programs. The developer will be responsible for ensuring that the homebuyer attends homebuyer education to ensure that the buyer is eligible, qualified and able to purchase a home that is affordable. The

developer will execute a contract for a fixed amount to develop a proposed number of owner units. Funds for individual projects will be drawn down from this master contract.

1. **Down Payment Assistance & Closing Costs (DPA):** The County will provide up to $15,000 to cover the closing costs and fees and up to 50% of the down payment required by the lender for a qualified homebuyer.
2. **Homebuyer Purchase and Rehabilitation (HPR)**: The County will provide up to $37,500 to a qualified homebuyer to purchase and rehabilitate their home. The County will provide up to $15,000 to cover the closing costs and fees and up to 50% of the down payment required by the lender for a qualified homebuyer, combined with rehabilitation for a total of $37,500. In addition, the developer may charge up to a $7,500 developer fee for a total of $45,000/unit.
3. **Acquisition, Development, and Resale (ADR):** The County will provide up to $37,500 to a developer to purchase and rehabilitate a home and resell it to a qualified homebuyer. The County will provide up to $15,000 to cover the closing costs and fees and up to 50% of the down payment required by the lender for a qualified homebuyer. combined with rehabilitation for a total of $37,500
4. **New Construction:** The County prefers the utilization and stabilization of existing housing stock. New construction will only be approved at the discretion of the UCEC in communities where there is market demand for new construction. If approved the County will provide up to $37,500/unit to the developer for the construction of new owner housing.

Acquisition & Construction Process

1. **Property Eligibility Review:** Developer will contact OCED to discuss and assess the proposed project address and to schedule an on-site pre-inspection.
    a. **Eligible properties:** single family detached homes, cooperatives, and attached or detached condominiums.
        i. **DPA Program Only:** Manufactured housing less than 10 yrs. old on a fee simple lot (i.e. a manufactured house on a leased lot is ineligible).
        ii. **Housing Value:** Houses may not exceed the Ann Arbor MSA median housing value as published by HUD.
    b. **Required Documents from Developer to Determine Address Approval:** The following information will be provided by the developer at a minimum to determine whether a property is eligible..OCED will give preliminary approval within 5 business days of receipt of all of the following documentation by the developer. If the property requires approval by SHPO, OCED will give approval upon receipt of SHPO approval.
        i. **Affordability Analysis: (DPA and HPR programs only)** see Chapter 4 (B).
        ii. **Environmental Review:** A federal Environmental Review will be conducted by the developer and provided to OCED to ensure that the property is eligible for federal funding. The developer will use OCED's Environmental Review Website at: http://gisapp.ewashtenaw.org/comdev/. If a purchase agreement or option to purchase is signed before an Environmental Review is completed, the Purchase Agreement must include a contingency upon approval of the environmental review. **The following are potential Environmental Review conditions that may impact eligibility:**
            1. Properties that are in a floodway are not eligible. Properties in a floodplain must carry flood insurance for the life of the recoverable grant.
            2. Properties that are in a historic district or older than 50 years, may require approval from a Historic District Commission and State Historical Preservation Office (SHPO) before work may

commence.

3. Properties that exceed the federal noise guidelines due to close proximity to railroads, major streets, and/or airports, may require noise mitigation work as part of the rehabilitation work.
4. Properties that are in close proximity to hazardous materials may not be eligible.
5. The Environmental Review must be completed before activity occurs on a site. Any construction or demolition activity that occurs before an Environmental Review is completed could become ineligible from reimbursement. The following activities are the ONLY activities that may be reimbursed by the County before the Environmental Review is completed:
    a. Earnest money for a purchase option or purchase agreement
    b. Environmental or other site condition or feasibility studies
    c. Professional services such as legal or accounting
    d. Appraisal
    e. Building or other inspections

iii. **Homebuyer Education :** Certification of completion and readiness to purchase
iv. **Proposed Scope of Work**: Rehabilitation projects only
v. **New construction** projects must provide the following information, at a minimum, to determine if the project is feasible.
    1. **Zoning Compliance/Approval**
    2. **Preliminary Site Plans and Drawings**
vi. **Estimated Budget**
vii. **BS & A general sales and building pages**
viii. **Census Tract:** To determine project funding eligibility
ix. **Lead – Based Paint Inspection:** (for pre-1978 rehab projects only) The Lead-Based Paint inspection will determine the presence of lead-based paint hazards. For further information see 24 CFR Part 35, Section K
x. **Energy Audit (except DPA):**

2. **Purchase Agreement:**. The purchase agreement must include a minimum of a 21-day contingency period for the following contingencies:
    a. **Preliminary Property Assessment:** Rehabilitation staff will visit the property to conduct a preliminary property assessment within 5 business days of notification by the developer. A copy of the assessment will be sent to the developer within a total of 7 business days. (HPR and ADR)
    b. **Funding Approval**
    c. **Home Inspection:** A qualified third party home inspector will complete a third party inspection of the property.
    d. **Lead-Based Paint:** This program must comply with federal and HUD regulations regarding lead-based paint hazards. All houses built before 1978 (the year that lead-based paint was outlawed) will be screened for lead-based paint hazards. An initial inspection will be conducted of deteriorated paint to determine if surfaces with lead-based paint will be disturbed during renovation. The rehabilitation staff must determine whether the rehabilitation calls for lead hazard control measures. This may involve hiring a risk assessor or lead inspector who will determine whether lead hazards exist and what methods must be used to control them. After the work is completed, a clearance test of the construction area may be conducted to confirm the absence of lead hazards. The Contractor and Rehabilitation staff will work closely ensure the safety of the occupants as well as to minimize the need to displace occupants during the rehabilitation work.

e. **Appraisal:** The purchase price cannot exceed the appraised value. An appraisal of the as-is value as well as the projected after-rehab value will be provided to the OCED at least 10 business days before the close date.

3. **Property Standards Inspection:** Rehabilitation staff will visit the property to conduct a property standards inspection within 5 business days of notification by the developer. A PSI report will be sent to the developer within a total of 7 business days from notification by the developer. (HPR, ADR, DPA)
   a. **Occupancy:** Before the property is occupied it must meet the standards of the current International Property Maintenance Code. All rehabilitated property must also meet the current Michigan Residential Rehabilitation Code
   b. **Down Payment Assistance Only:**
      i. **Approved**: If the property meets the PSI inspection requirements and the buyer is eligible and approved, the OCED contract staff will notify the developer that the project is approved.
      ii. **Approved with Conditions:** If the property does not pass the PSI inspection, the property must be brought up to code by the seller prior to the closing date. Or for non-life threatening repairs, the buyer may escrow the cost of repairs with the developer or title company at the time of closing and complete the repairs within 30 days of occupancy.
   c. **Energy Audit:** An Energy Audit will be performed by a licensed 3rd party contractor approved by OCED. The recommendations will be incorporated into the work order and cost estimate. Add language on 4*

4. **Work Order & Cost Estimates**
   a. **Architectural Drawings and Site Plan:** For new construction projects, architectural drawings and approved site plan drawings, if applicable, will be submitted to rehabilitation staff to review and approve.
   b. **Work Order:** The final scope of work will be based on the priorities set forth by OCED in Chapter VIII "Eligible and Ineligible Work". The developer will prepare a written work order for work to be completed. If the developer requires assistance from the rehabilitation staff, that request for technical assistance needs to be submitted in writing at the eligibility review stage. If OCED determines that the developer does not have expertise on staff, technical assistance will be required. All work items shall be clearly spelled out and be in general conformity with the OCED's *Master Specifications*. The rehabilitation staff will review and approve the work order within five (5) business days.
      i. It is the responsibility of the developer to have the work order approved by other funding sources, as applicable.
      ii. If the developer intends to serve as a "general contractor," then individual work orders and estimates must be provided for each portion of the work which is to be sub-contracted.
   c. **Cost Estimates:** The developers shall prepare an accurate cost estimate for the proposed work, which will be approved by the rehabilitation staff. The estimate will be used as a guideline when reviewing bids received. The developer may request technical assistance from the rehabilitation staff to prepare cost estimates.

5. **Approved Contractors**: Prior to bidding, OCED will provide a list of approved contractors to the developer. If the developer wishes to bid a project with a contractor that is not pre-approved by OCED, the contractor must apply to al OCED for approval before the contract is awarded. Approval of contractors not on the active bidder list is at the discretion of OCED.
   a. **Contractor prohibited from Bidding:** The Office of Community and Economic Development will review all contractors with 3 open OCED-funded projects (excluding emergencies and ramps) or $100,000 in combined contracts,

whichever threshold is reached first and reserve the right to reject bids based on contractor workload and performance.

b. **Contracts under $5,000:** The developer is not required to solicit bids or quotes for work under $5,000.

c. **Contracts between $5,000 and $25,000:** The developer must solicit and document a minimum of 3 quotes for contracts between $5,000 and $25,000.

d. **Contracts over $25,000:** At a minimum, the developer shall seek bids from three qualified contractors for all projects over $25,000 through a sealed bid process. PLEASE NOTE: Although HOME regulations do not require CHDO's to comply with federal procurement regulations under Section 85.36(d), the OCED office is requiring all CHDO's to follow federal and local procurement regulations outlined in these guidelines.

e. **Bid Award:** With the exception of a Section 3 certified contractor, the bid will generally be awarded to the lowest responsive and responsible bidder. On a case-by-case basis, if the developer determines that the lowest bidder is not responsive and responsible; a written request along with supporting documentation must be provided to OCED for a final determination on the bid award. If the developer selects a contractor that is not the lowest responsive and responsible bid, the developer will be responsible for paying the difference in the bids.

f. **Pre-Construction Meeting:** The developer will schedule a pre-construction meeting with OCED and the selected contractor to review contract documents, the work order, specifications, timelines, and program compliance requirements. The developer will notify OCED of the pre-construction meeting so that the OCED staff can attend.

1. **Contract with Contractor:** The developer will be responsible for preparing a contract with the selected contractors. At a minimum, the contract will include:
    i. Language requiring permits to be acquired when required by state and local building code with copies of permit applications provided to the developer
    ii. Environmental Compliance, when applicable
    iii. Scope of work with specifications, and drawings
    iv. Fixed-price contract
    v. Construction timeline with milestones
    vi. Time of Commencement and Completion Clause

6. **Bidding Process, Contractor Selection:** The developer will follow the County's procurement guidelines as well as its own procurement guidelines, as approved by OCED. Projects will not be bid out until the Rehabilitation Staff have approved the work order and cost estimates.
    a. The developer will be responsible for maintaining:
        i. Copy of all bid advertisements
        ii. List of contractors that bids were sent to
        iii. Bid walk-through sign-in sheet
        iv. Bid tabulation
    b. These documents will be made available to OCED upon request

7. **Construction**
    a. **Notice to Proceed:** After all the documents are signed at the pre-construction meeting, the developer will issue a notice to proceed with a specified commencement and completion date. A copy of the notice to proceed must be issued to OCED.
    b. **Construction Oversight:** The developer is responsible for monitoring the project and ensuring that all items signed off on in the work specifications are completed. Any changes to the specifications, including additions, deletions, and

changes in costs or time extensions will be noted on a "Change Order" form to be prepared by the developer. For additions to the contract, the developer must prepare an internal specification and cost to determine if the cost is reasonable. For changes in cost, the developer must prepare a cost estimate to determine if the cost is reasonable. ***OCED will approve the Change Order <u>prior to</u> the developer and contractor signing the Change Order.*** Once the project has begun, the developer shall have the ability to authorize emergency work which is discovered by the contractor and requires immediate action necessary for the completion of the work item. This additional work shall be photo-documented and reflected in a "Change Order" and OCED Rehabilitation staff will be notified to receive approval of the change order.

c. **<u>Permit Inspections:</u>** All work requiring permits shall be inspected and approved by the local building authorities.

d. **<u>Progress Payments:</u>** For all projects, the developer shall submit requests for payment of completed construction work to the rehabilitation staff and attach supporting documentation including itemized invoices, permits, lien waivers (contractors and sub-contractors) and final inspections. The rehabilitation staff will inspect the work and then authorize payment ***for the completed work only***. The developer shall sign off on payments to the contractor upon inspection and satisfactory completion of work. Payment requests shall be submitted by the developer based on meeting or exceeding the approved work completion schedule determined at the pre-construction meeting. **<u>The standard payment schedule</u>** to the Contractor is a minimum of three (3) draws as construction work is **<u>completed, inspected and approved</u>** by the Developer and Rehabilitation Specialist in accordance with the following ***Draw Schedule***:

- First Draw: at least 40% of the construction contract amount
- Second Draw: at least 80% of the construction contract amount
- Third (Final) Draw: remaining balance of construction contract amount

e. Payment requests will be processed within 21 calendar days of receipt by OCED. Developers must pay the contractor within 5 business days of receipt of OCED payment.

f. **<u>Advances:</u>** The developer may request an advance on a case by case basis. If an advance was granted, the next draw request must include the back-up documentation and proof of payment for the advance from the previous request. The advance will be deducted from the new draw request.

g. **<u>Final Payment/Post-Construction Inspection:</u>** Upon completion, a Property Standard (PSI) and post-construction inspections are made to ensure that the entire scope of work is completed, and all supporting documentation including itemized invoices, final permit inspections, sworn statements, lien waivers and warranties must be submitted in order to receive final payment. Final waiver of liens and sworn statements must be on file before release of final payment. A copy of the PSI and post-construction inspection reports will be provided to the developer.

8. **<u>Developer Fee</u>**:

a. **<u>DPA Stand-Alone Program:</u>** Up to 15% of the County investment

b. **<u>HPR, ADR & New Construction:</u>** Up to 20% of County investment.

c. **<u>Developer Draws:</u>** For new construction or acquisition and rehabilitation, 50% of the developer fee may be drawn at closing, thirty percent when the construction is 80% completed and 20% with the final construction draw. For rehabilitation projects only, the developer fee will be drawn at the same ratio as the construction draws. The final developer fee draw will be at the time of project completion. The rehabilitation must be complete and the homebuyer must own

the home.

d. **Rehab Services Delivery/Construction Management:** The time the developer's staff is managing the procurement and construction process of outside contractors will be included in the developer fee. If the developer is also acting as a general contractor, a construction management fee, not to exceed 5% of the rehabilitation budget, may be charged in addition to the developer fee. However, the construction management fee must be deducted from the total development costs before the developer fee is calculated. If the developer is completing all or some of the construction work, the developer's staff must track the time spent on the project and may charge prevailing wages or actual wages for staff time.

9. **Complaint Resolution:** See Chapter XIV of the Housing Program Guidelines for more information.

CHAPTER IV

HOMEBUYER QUALIFICATIONS

A. General

This chapter outlines the requirements and processes that the Office of Community & Economic Development follows for the four (4) types of homeownership programs. OCED contracts with a developer to implement these programs.

1. **Down Payment Assistance & Closing Costs (DPA):** The County will provide up to $15,000 for closing costs, closing fees and up to 50% of the down payment for a qualified homebuyer.

2. **Homebuyer Purchase and Rehabilitation (HPR)**: The County will provide up to $37,500 to a qualified homebuyer to purchase and rehabilitate their home The County will provide up to $15,000 for closing costs, closing fees and up to 50% of the down payment, combined with rehabilitation for a total of $37,500.

3. **Acquisition, Development, and Resale (ADR):** The County will provide up to $37,500 to a developer to purchase and rehabilitate a home and resell it to a qualified homebuyer. The County will provide up to $15,000 for closing costs, closing fees and up to 50% of the down payment, combined with rehabilitation for a total of $37,500. Up to $12,500 in additional funds will be provided to the developer for energy efficient and green products.

4. **New Construction:** The County will provide up to $37,500/unit to the developer for the construction of new owner housing. Up to $12,500 in additional funds will be provided to the developer for energy efficient and green products.

5. **Developer Subsidized Units:** The City of Ann Arbor's Planned Unit Development (PUD), Planned Project, and A2D2 zoning premiums require the developer to provide on-site affordable units in some cases. These units are administered through the Office of Community Development. The units have a permanent covenant with income restrictions and resale price formulas that enable the units to be permanently affordable to future buyers.

B. Homebuyer Processing Steps

All homebuyer program participants must follow the procedures below to receive financial assistance from the County to purchase a home or purchase a City of Ann Arbor covenant unit. The purpose is to meet federal and local regulations and to ensure the affordability of the housing units. OCED contracts with developers to manage the homebuyer programs. The developer works directly with the potential homebuyer to ensure that the homebuyer is meeting all the program requirements and to help coordinate the closing with the title company, lending institution, real estate agent and the OCED, OCED reviews the applications, verifies income eligibility, conducts inspections, approves the DPA funding amount, processes payments to the developer, and executes legal documents.

1) **Homebuyer Eligibility:**
   a. There is a preference for **first-time homebuyers** as defined below:
      i. An individual or household that has not owned a home during the three-year period prior to purchase of an assisted unit; and/or
      ii. A "**displaced homemaker**[1]" or "**single parent**[2]", who, even if while a homemaker or married, owned a home with his or her spouse or resided in a home owned by the spouse.

   b. Household Income: Homebuyer must have a household income at or below the most current HUD-established limit for the funding source or type of unit. HUD requires **verification dated no earlier than six months prior to closing.**

      i. Homebuyer purchasing homes with HOME and CDBG funds must have a household income at or below 80% of the Area Median Income.
      ii. Homebuyers purchasing City of Ann Arbor Developer/Covenant units must have an income at or below the income established in the unit's covenant.
   c. Debt to Income Ratios: The applicant's monthly housing expenses (mortgage, interest, taxes, and insurance) cannot exceed 30% of the applicant's gross monthly income. The applicant's total monthly debt payments cannot exceed 42% of the applicant's gross monthly income
      i. For applicants that are purchasing condominiums, the applicant's monthly housing expenses, including condominium fees cannot exceed 32% of the applicant's gross monthly income.

2) **Homebuyer Education:** All applicants are required to complete the homebuyer education program through the Washtenaw Housing Education Partnership (WHEP) or an approved equivalent program prior to applying for down payment assistance. Depending upon the financial circumstances of the household and/or their credit report, this process could consist of orientation and pre-purchase education classes, or be combined with an extended financial management series. Homebuyer education is provided through grants from Washtenaw County and the Michigan State Housing Development Authority (MSHDA), and is free to eligible homebuyers. The homebuyer will develop a work plan with a housing counselor to strategize on what the homebuyer can afford, the desired location, and the subsidy funding that is available and appropriate. The homebuyer must receive a "Release to Purchase" to purchase a home. The housing counselor will connect the homebuyer to the appropriate developer. Each homebuyer is strongly encouraged to attend a Home Maintenance course prior to closing.

3) **Mortgage Pre-approval**: The homebuyer will obtain a mortgage pre-approval amount from a WHEP-approved lender unless the buyer is paying cash. This pre-approval will dictate the maximum loan amount that a homebuyer can afford from the perspective of the lenders. **Note:** The housing counselor may determine that a lesser mortgage amount is affordable, based on other factors such as debt load, private mortgage insurance, and condominium fees, etc.

   a. The County will not provide 100% of the financing to purchase a home. The homebuyer will finance the property with cash and/or a private loan in addition to the County's loan.

[1] A displaced homemaker is defined by HUD as an individual who: 1) is an adult; 2) has not worked full-time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and 3) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.
[2] A "single parent" is defined by HUD to mean an individual who: 1) is unmarried or legally separated from a spouse; and 2) has one or more minor children for whom the individual has custody or joint custody, or is pregnant.

b. The homebuyer must agree to sign an affordability agreement, mortgage and note that describes the terms of the subsidy from the County.
c. The homebuyer will be required to use a fixed-rate mortgage product with fees and an interest rate approved by the housing counselor.
    i. Purchaser must be qualified by an institutional lender for a mortgage (required even for a cash purchase). If using the mortgage for acquisition of the property, the lender must agree to execute and be bound by the County Agreements.
    ii. If homebuyer is paying cash certified proof of funds is required for all contributions including gift funds.
d. The homebuyer is required to have at least two (2) months of housing expense reserves when purchasing an assisted unit and the developer shall verify those reserves.
e. The homebuyer must contribute a minimum of $1,000.
    i. Habitat for Humanity homebuyers must contribute a minimum of $500.

4) **Property Search**: Applicants will search for a property to purchase in the Urban County. **Note:** the homebuyer should not execute a purchase agreement unless they have pre-approval from OCED or have included the following language or its equivalent in the purchase agreement (unless the contingency has already been met):
    a. The purchase is contingent upon environmental review clearance, and
    b. Subject to Washtenaw County approval.

Purchase price cannot exceed HUD current Maximum Purchase Price

5) **Application for DPA**: The developer will determine if the homebuyer is eligible by reviewing supporting income, asset, and household documentation from the homebuyer application. The developer will submit this documentation to OCED to approve or deny the homebuyer applicant. OCED will notify the developer within five (5) business days.

6) **Review of Legal Documents/Requirements:** The developer will review the recapture or resale requirements that apply to the program with the homebuyer. See Sections C for Affordability provisions.

7) **Pre-inspection:** The property will be inspected by OCED and the developer to assess the rehabilitation needs. Properties that are not up to code must be brought up to code before the homebuyer takes occupancy. Or for non-life threatening repairs, the buyer may escrow the cost of repairs with the developer or title company at the time of closing and complete the repairs within 30 days of occupancy. A federal Environmental Review will be conducted to ensure that the property is eligible for federal funding. Properties that are in a floodway or an airport clear zone are ineligible.

8) **Lender Information**: The developer will submit a copy of the property appraisal, title commitment, loan application, good faith estimate of closing costs, HUD 1 Settlement Statement and other pertinent lender information to OCED.

9) **Title Insurance:** If the County lien exceeds $25,000, title insurance is required. The cost for title insurance is included in the total of homebuyer closing costs and paid at closing by the homebuyer with private funds or DPA funds.

10) **Affordability Analysis**: An affordability analysis (see Section C) will be performed that includes household income, mortgage amount, interest rate, tax rate, PMI, condo/association fees, homeowners' insurance, appraised value, household debts, closing costs, proposed DPA, etc. to determine if the housing unit is affordable and if applicable, how much DPA is required to assist the household and ensure that their housing ratio does not exceed 30% of their income and the debt ratio does not exceed 42% of their income.

a. The Homebuyer's housing ratio cannot exceed 30% of their income to be eligible to purchase an affordable unit.
    i. For applicants that are purchasing condominiums, the applicant's monthly housing expenses, including condominium fees, cannot exceed 32% of the applicant's gross monthly income.
b. The Homebuyer's debt ratio cannot exceed 42% of their income to be eligible to purchase an affordable unit
c. Homebuyer DPA will not be provided to buyers whose total housing costs are less than 25% of their monthly gross income.
    i. Except for Habitat for Humanity homebuyers, who will not be provided with DPA if their total housing costs are less than 20% of their monthly gross income.

11) **Funding Approval**: The homebuyer will be notified whether or not they have been approved for funding. This communication will include the amount of funding applied for, the decision, the reasons for the decision, and the final approved amount.

12) **Closing**: It is the responsibility of the developer to coordinate with OCED, homebuyer's lender, the title company, and real estate agents to ensure that the County's down payment assistance is available for the closing in a timely manner. OCED must be notified at least 10 business days before the scheduled closing date. The DPA payment will be provided by the developer to the title company on behalf of the homebuyer at the closing. **Note**: OCED must review the final HUD settlement statement prior to closing to ensure accuracy.

13) **Legal Documents:** OCED will prepare an affordability agreement, mortgage and note for the closing to secure the subsidy and enforce the recapture or resale provisions that apply. The Affordability Agreement and Mortgage will be recorded by the title company at closing.

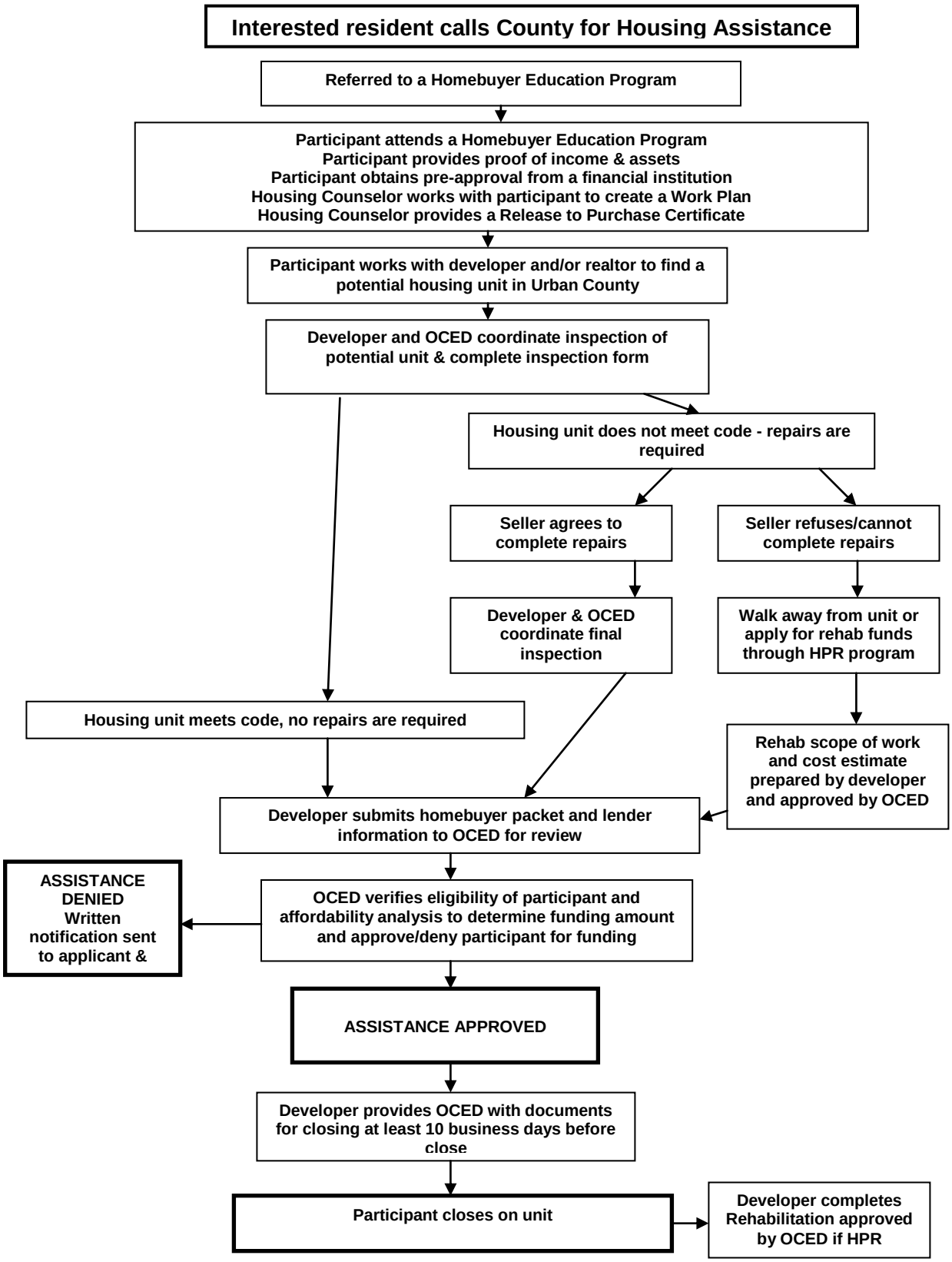
    a. **Principal Residence:** The homebuyer must agree to maintain the unit as his/her principal residence during the period of affordability.

14) **Subordination Policy:** A copy of the subordination policy and application form will be distributed at the closing appointment. See Chapter X for more details.

15) **Complaint Resolution:** See Chapter XIV of the Housing Program Guidelines for more information.

16) **Waiver of Program Guidelines:** See Chapter XIV of the Housing Program Guidelines for more information.

Homebuyer Approval Flowchart



Homebuyer Affordability Analysis

HOMEBUYER AFFORDABILITY ANALYSIS			
Household Name:	**Janis Jones – DPA**	**Bedrooms:**	**3**
Household Size:	**2**	**Sq. ft per unit:**	**1264**
INCOME OF PROSPECTIVE BUYERS:			
Area Median Income (family of 2):		**Washtenaw County)**	**$64,100**
times	% Area Median Income of Target Buyers:		**55%**
equals	**Gross Annual Incomes of Target Buyers**		**$35,360**
	Monthly Incomes of Target Buyers		$2,947
times	**MAXIMUM** Housing/Income Ratio		**30%**
equals	**Target Buyers' Maximum Monthly Mrtg Pmt (PITI)**		**$884**
PROPOSED MORTGAGE TERMS/ DOWN PAYMENT:			
	SALE PRICE/ APPRAISED VALUE:		**$126,000**
less	**Down Payment County**		**$15,000**
less	Down payment Other		$10,0000
less	**Cash To/From Buyer (closing costs)**		**$11,488**
plus	**Closing Costs (prepaids, closing, PMI, etc.)**		**$6,448**
equals	**FIRST MORTGAGE AMT BASED ON AFFORDABILITY:**		**$96,000**
	First Mortgage Loan-to-Value Ratio:		76.19%
factor	**First Mortgage Interest Rate:**		**5.875%**
factor	**First Mortgage Term:**		**30**
equals	First Mortgage Principal and Interest		**$568**
OTHER HOUSING COSTS/ TOTAL MONTHLY HOUSING PAYMENT			
plus	Taxes	$2,760	$230
plus	**Homeowners Insurance**	**$600**	$50
plus	**Condo Fee (annual, if applic.)**	**$0**	$0
plus	**PMI**	**$0**	$0
equals	**TOTAL MONTHLY MORTAGE, INSURANCE & TAXES PAYMENT:**		**$7848**
MONTHLY DEBT PAYMENTS (ONLY INCLUDE REGULAR INSTALLMENT PMTS):			
	Credit Card	**$22**	
	Car Payment	**$207**	
	Total Other Debt:	**$229**	
AFFORDABILITY CALCULATIONS			
Minimum Qualifying Income Required to Purchase Unit			**$33,915**
Your Front-End/ Housing Cost Ratio (Cannot exceed 30%, or 32% for condominiums) Eligible for DPA if higher than 25% (or 20% for Habitat buyers)			**29%**
Your Back-end/ Total Debt Ratio (Cannot exceed 42%)			**37%**
CASH REQUIREMENTS TO ENTER/ SUBSIDY NEEDED			
plus	**Required Homebuyer Closing Cost Contribution**		$11,448
equals	**TOTAL CASH TO ENTER:**		**$11,448**
	Affordability Subsidy SOURCES	**Subsidy USE**	**Per Unit Subsidy**
plus	**COUNTY HOME**	**Down Pmt/Closing**	**$15,000**
plus	**MSHDA DPA**		**$10,000**
equals	**TOTAL HOMEBUYER SUBSIDY:**		**$25,000**

C. Homeownership Programs

Housing that is subsidized through HOME and/or CDBG funds will either have a recapture formula or a resale formula to ensure that the units remain affordable for a specific period of time. The recapture formula below is the standard formula. In some cases, a resale formula will be used for high cost neighborhoods in the City of Ann Arbor and for units that are required to be permanently affordable through a development agreement. If a unit has an existing permanent resale formula through a Covenant, then a buyer who is also approved for down payment assistance, will have a 20-year lien for the down payment assistance, however, the equity sharing formula will not apply because the unit already has a resale restriction. The recipient will only be required to pay back the principal, from net proceeds of the sale, if the recipient sells the unit within the 20-year term.

a) **LIEN TERMS:** A 20-year 0% interest, deferred lien shall be placed on the property in the amount that the homeowner borrowed ("Subsidy Amount"). If the OWNER sells or transfers Property or an interest therein or discontinues use of Property as a primary residence on or before the 20 year term, the Subsidy Amount shall be repaid according to the following:

i) County (as the fiduciary for the City) Appreciation Percentage. The County Appreciation Percentage shall be determined by taking the Subsidy Amount and dividing it by the After Rehab Value. The County Appreciation Percentage shall then be multiplied times the total amount of Appreciation; and

ii) Appreciation. Appreciation of Property shall be the difference between the Owner's original After Rehab Value and the appraised value at the time Owner sells, transfers, or discontinues using Property as a primary residence. Owner expenses such as after acquired liens, equity liens, or other encumbrances shall not be considered in computing appreciation; and

iii) County Repayment Amount. The County Appreciation Percentage shall be multiplied times the Appreciation to determine the amount that must be repaid to County ("County Repayment Amount"). In the event that the County Repayment Amount is equal to or greater than the County lien, then that amount shall be repaid to the County. In the event that the County Repayment Amount is less than the lien, then the Owner shall be responsible for the balance of the Subsidy Amount at the time of closing. In the event that the total amount available to the Owner at the time of closing after paying the first mortgage, closing costs, realtor commissions, and recovering the initial owner cash investment is less than the Subsidy Amount, then that amount shall be paid to County and Owner shall be relieved of any further obligation under the terms of this Lien Agreement.

iv) Forgiveness of Subsidy Amount. In the event Owner retains and resides in the Property continuously for a period of twenty (20) years, all obligations to repay the Subsidy Amount shall be forgiven and this Lien shall be discharged.

Recapture Formula:

Initial Appraised After Rehab Value (IARV)		$90,000
Initial Purchase Price (IPP)		$75,000
County investment ($15K DPA & $20K Rehab)		$35,000
County investment as percent of IARV	39%	

Scenario A) Sold 10 years later with significant increase in value

Appraised Value (AV)		$200,000
Increase in Appraised Value	(–AV - IARV)	$110,000
39% of Increase in Value		$42,900

- **$42,900 is greater than $35,000, so the homeowner repays $42,900**

Scenario B) Sold 10 years later with moderate increase in value

Appraised Value (AV)		$150,000
Increase in Appraised Value	(–AV - IARV)	$60,000
39% of Increase in Value		$23,400
Net proceeds		$80,000

- **$23,400 is less than $35,000 and the net proceeds are greater than $35,000, so the homeowner repays $35,000.**

Scenario C) Sold 10 years later with decrease in value

Appraised Value/Sales Price	$85,000
Owner Private Mortgage Lien repayment	-$60,000
Owner initial cash investment	-$1,000
Closing Costs and Realtor	-$6,000
Balance	$19,000

- **$19,000 is repaid instead of $35,000**

<u>Resale Provisions</u>

a. **Appraisal-based Formula:** The Washtenaw Urban County plans to utilize resale provisions to preserve the long-term affordability of assisted homeownership units for particular types of projects, which will generally occur in the higher housing cost areas of the Urban County. The resale formula will maintain affordability <u>and</u> provide a fair return to the seller. In practice, the formula will operate as follows:
    - **a.** An independent appraisal of the building is conducted at the time of the initial purchase or investment;
    - **b.** An independent appraisal is conducted of the building at the time the owner wishes to sell the unit;
    - **c.** The difference between the new and the old appraisal determines the increase in appraised value;
    - **d.** The seller retains 25% of the increase in the appraised value (see sample below);
    - **e.** An initial sales price (for new construction) or an initial resale price is determined based on the market conditions to determine what is affordable to the target income household.
    - **f.** Please note that the appraised value and the initial sales price (based on the subsidy required) are determined by two different processes and are not necessarily the same.
    - **g.** The local municipality secures permanent affordability through a deed restriction. Every time the property is transferred or sold, the municipality must ensure that the new buyer is income qualified and the sales price is affordable, and the seller receives their fair return. There are 3 benefits:
        - The owner has an affordable monthly housing cost because the County subsidizes the property to an affordable rate.
        - The Municipality's assessor is allowed under state law, to assess the property based on the restricted sales price, rather than the market value. The result is taxes are significantly decreased for the low-income owner.
        - The unit is permanently affordable.

b. **Fair Return to Seller**- The Office of Community and Economic Development used historical sales activity and historical HUD income trends to determine that a 25% share in the equity was appropriate for this market and provided a fair return to the seller by looking at the average residential sale prices, specific addresses, taxes, utilities, turnover costs, condominium fees, Land Trust fees, interest rates, inflation, varying degrees of equity-sharing, income targeting, Private Mortgage Insurance, and sale price of assisted units. It was determined that 25% was the minimum equity-sharing for sellers that would provide a fair return on their investment, while still protecting the affordability of the units.

c. **Future Affordability-** As units are sold, there will be a gap between the appropriate sales price based on the target household size and income, and the sales price based on the seller receiving 25% of the appreciated value in the home. When that gap is positive, the additional funds will be used to close the gap when the gap is negative. The Urban County has a homeownership program that helps pay for closing costs and down payment assistance. This program will also be utilized to close the gap if the unit is unaffordable to the future home buyer.

Sample Appraisal-Based Resale Formula	
Initial Total Development Costs	$140,000
Initial purchase price	$100,000
Initial County Subsidy	$140,000 - $100,000 = $40,000 subsidy
Initial appraisal	$150,000
Resale appraisal at next sale	$200,000
Increase in appraised value	$200,000 – $150,000 = $50,000 increase
Resale price increase	$50,000 x 25% = $12,500
Resale price	$100,000 (initial) + $12,500 = **$112,500**

CHAPTER V

DEMOLITION

A. General

This chapter outlines guidelines for the demolition of private property using CDBG funds. Demolition can occur as either a stand-alone activity or with acquisition. Each demolition project will be bid out to at least 3 qualified demolition contractors. The Office of Community and Economic Development (OCED) will administer the demolition program or contract with a Land Bank or Municipality (applicant) to administer the program.

B. Eligible Properties

1) **Physical Condition:** The property must meet at least one of the following conditions:
   a) The property has been declared a public nuisance in accordance with a local housing, building, plumbing, fire, or other related code or ordinance.
   b) The property is an attractive nuisance because of physical condition or use.
   c) The property is a fire hazard or is otherwise dangerous to the safety of persons or property.
   d) The property has had the utilities, plumbing, heating, or sewerage disconnected, destroyed, removed, or rendered ineffective for at least one year so that the property is unfit for its intended use.
   e) The property is tax reverted property owned by a qualified local governmental unit, by a county, or by the state. (The property would retain its "blighted" status, after a sale, lease, or transfer of tax reverted property by a local governmental unit, county, or the state.)
   f) The property is owned or under the control of a Land Bank Fast Track Authority, whether located within a qualified local governmental unit as that term is defined in the Brownfield Redevelopment Financing Act. (The property would retain its "blighted" status, after a sale, lease, or transfer of the property by the Land Bank Fast Track Authority for purposes of the statute.)
   g) The property is improved real property that has remained vacant for five consecutive years and that is not maintained in accordance with applicable local housing or property maintenance codes or ordinances.
   h) The property has code violations posing a severe and immediate health or safety threat and has not been substantially rehabilitated within one year after the receipt of notice to rehabilitate from the appropriate code enforcement agency or final determination of any appeal, whichever is later.
   i) The existence of any structure or part of such structure which, because of fire, wind or other natural disaster or physical deterioration, is no longer habitable as a dwelling, or useful for any other purpose for which it may have been intended or lawfully used.
   j) The existence of any vacant dwelling, garage or other accessory building, unless the same is securely locked, with windows intact or neatly boarded up, and otherwise protected to prevent entrance thereto by unauthorized persons.
   k) The existence of any partially completed structure, unless such structure is in the course of construction in accordance with a valid and subsisting building permit issued by the township and unless such construction is completed within the time specified by existing ordinances.

2) **Economic Condition:** Residential properties that are being considered for demolition must also be economically infeasible to rehabilitate.

a) **Cost Estimate to Rehabilitate:** A cost estimate to rehabilitate the building to bring it up to local code will either be conducted by OCED staff or by the applicant and approved by OCED staff.
b) **Value:** The rehabilitation cost estimate must exceed 75% of the value of the property. The value will be determined by either an appraisal that is less than 6 months old, or by multiplying the State Equalized Value (SEV) by 2.0.

B. Contract Processing Steps

Contract Administration: The Office of Community and Economic Development (OCED) will administer the demolition program or contract with an applicant such as a Land Bank or Municipality to administer the program. A municipality with a condemnation and demolition program that is approved by OCED.

1) **Contract:** OCED will prepare a contract with the Land Bank or Municipality which will include the scope of work, contract amount, program income procedure and a timeline. The applicant will be responsible for preparing a contract with their demolition subcontractor, subject to OCED approval. At a minimum, the following information will be required from the applicant before a contract is signed:

   a) Demolition program guidelines
   b) General Liability & Property Insurance in compliance with specifications
   c) Living Wage Compliance
   d) Copy of the municipality's approved procurement guidelines

2) **Property Eligibility Review:** Applicant will contact OCED to discuss the proposed project address and establish the estimated scope of work. The following information will be provided by the applicant at a minimum to determine whether a property is eligible and appropriate:

   a) Evidence of Ownership
      i) Title Search
      ii) Deed
   b) Evidence of Physical Property Condition
      i) Photos
      ii) Code Violations
      iii) Court Order or legal consent from the property owner to demolish the property
   c) An Environmental Assessment for HUD funded projects will be conducted by OCED to determine potential environmental impacts from demolition activities. In addition, OCED will use Washtenaw County's GIS site at http://gisapp.ewashtenaw.org/comdev to create a map indicating potential environmental issues for each proposed property. The map will ensure the property is eligible for federal funding before demolition commences. The Applicant must ensure that the purchase agreement to acquire a property to be demolished must include the following language: ***"The purchase is contingent upon environmental review clearance and funding approval by the Office of Community and Economic Development."*** The following are potential Environmental Review conditions that may impact eligibility:

      i) **Floodway or Floodplain:** Properties that are in a floodway are eligible for demolition. **Historic:** Properties that are or may be historic will require additional review:
         (1) Properties **that are** eligible for the National Register for Historic Places are ineligible for demolition under this program.
         (2) Properties that are 50 years old or greater or in a Historic District will require demolition approval from the local Historic District Commission and the State

of Michigan's State Historic Preservation Office (SHPO) before work may commence. The following information must be submitted to SHPO and OCED:

(a) A SHPO inventory card and photographs of all elevations and significant features;

(b) In addition, the following information may be necessary if the property has historic significance:

(i) A brief history of the property including a statement of the historic and/or architectural significance of the resource meeting the criteria for listing in the National Register of Historic Places, and a written opinion regarding the historic significance of the building from the Commission staff;

(ii) A structural report by a qualified structural engineer with experience with historic building structural systems or a qualified architect meeting the Secretary of the Interior's Historic Preservation Professional Qualification Standards (48 FR 44716, September 29, 1983);

(iii) A summary of efforts undertaken by the City to rehabilitate and reuse the property;

(iv) A summary of alternatives to demolition that were considered and why they were not feasible;

(v) The views of the local community;

(vi) Any proposed mitigation measures which shall be forwarded to the SHPO in a "two-party" Memorandum of Agreement (MOA).

ii) **Hazardous Material:** Properties that are in close proximity to hazardous materials may not be eligible for redevelopment but would not prohibit a blighted property from being demolished.

d) Properties that have hazardous or toxic materials such as asbestos, must be removed using EPA standards and guidelines for removal and disposal. All abatement activities of hazardous material must be completed in accordance to 24 CFR part 35 of the Code of Federal Regulations. This includes homeowner and State notifications (NESHAP), removal, disposal, cleaning and testing for hazardous material prior to demolition activities.

e) **Lead-Based Paint:** Unoccupied properties that will be demolished are exempt from the federal Lead Based Paint guidelines per 24 CFR Part 35-115.6.

f) **Recycling:** Every effort should be made to recycle fixtures and materials from demolition projects. A preliminary assessment of recyclable materials will be made by OCED staff during the pre-inspection of the property.

H. **Eligible Work**

1. **Demolition and Removal of Improvements**
2. **Capping Wells**
3. **Pumping and Capping Septic Tanks**
4. **Filling in recreational features and in-ground foundations**
5. **Foundations must be removed if the land will be redeveloped**
6. **Abatement activities for Hazardous material**

I. **Work Order & Cost Estimates**

1. **Pre-inspection:** Once a project is selected for funding, the applicant will contact OCED staff to complete a pre-inspection of the property to determine the need for demolition.
2. **Work Order:** The applicant will prepare a written work order for work to be completed. If the applicant requires assistance from OCED staff, that request for technical assistance needs to be submitted in writing at the pre-inspection stage. All work items shall be clearly spelled out and be in general conformity with OCED's *Master Specifications*. OCED staff will review and approve the work order within 5 business days.

i. It is the responsibility of the applicant to have the work order approved by other funding sources, as applicable.

3. **Cost Estimates:** The applicant shall prepare an accurate cost estimate for the proposed work, which will be approved by OCED staff. The estimate will be used as a guideline when reviewing bids received. The applicant may request technical assistance from the rehabilitation staff to prepare cost estimates.

J. **Bidding Process, Contractor Selection:** The applicant will follow the County's procurement guidelines as well as its own procurement guidelines, as approved by OCED. Projects will not be bid out until OCED staff have approved the work order and cost estimates.

1. **Approved Contractors**: Prior to bidding, OCED will provide a list of approved contractors to the developer. If the developer wishes to bid a project with a contractor that is not pre-approved by OCED, the contractor must apply to OCED for approval before the contract is awarded. Approval of contractors not on the active bidder list is at the discretion of OCED.
2. **Contractor prohibited from Bidding:** Community and Economic Development will review all contractors with 3 open OCED-funded projects (excluding emergencies and ramps) or $100,000 in combined contracts, whichever threshold is reached first and reserve the right to reject bids based on contractor workload and performance.
3. **Contracts over $5,000:** At a minimum, unless work is performed by a qualified employee of the applicant, the applicant shall seek bids from three qualified contractors for all projects over $5,000 through a sealed bid process.
4. **Bid Award:** The bid will generally be awarded to the lowest responsive and responsible bidder. On a case-by-case basis, if the developer determines that the lowest bidder is not responsible and responsive; a written request along with supporting documentation must be provided to OCED for a final determination on the bid award. If the applicant selects a contractor that is not the lowest responsive and responsible bid, the applicant will be responsible for paying the difference in the bids.
5. **Pre-Construction Meeting:** The applicant will schedule a pre-construction with the contractor and send notify so that OCED staff can attend. At the pre-construction meeting, the applicant contractor, and OCED will review contract documents, the work order, timeline, and program compliance requirements.
6. **Contract with General Contractor:** The applicant will be responsible for preparing a contract with their selected contractors. At a minimum, the contract will include:
   vii. Language requiring permits to be acquired when required by state and local building code
   viii. Fixed-price
   ix. Commencement and completion date
   x. Failure to perform clause

K. **Construction**

1. **Notice to Proceed:** After all the documents are signed at the pre-construction meeting, the applicant will issue a notice to proceed to the contractor. A copy of the notice to proceed must be issued to OCED. Work is to begin as soon as possible, but must be completed within the specified timeframe stated in the Contractor's contract. Copies of permit applications shall be provided to the applicant.
2. **Construction Oversight:** The applicant is responsible for monitoring the project and ensuring that all items identified, bid, and approved in the work order are completed. Any changes to the work, including additions to work, deletions, cost changes or time extensions will be noted on a "Change Order" form to be prepared by the applicant. ***OCED will approve the Change Order before the***

applicant and contractor sign the Change Order. Once the project has begun, the applicant shall have the ability to authorize unforeseen work which is discovered by the contractor and requires emergency action necessary for the completion of the project. This additional work shall be reflected in a "Change Order" and OCED staff will be notified immediately for approval.

3. **Permit Inspections:** All work requiring permits shall be inspected by the local building authorities as needed.
4. **Payments:** For all projects, the applicant shall submit requests for payment of completed construction work to OCED staff and attach supporting documentation including itemized invoices, permits, lien waivers and inspections. OCED staff will inspect the work and then authorize payment ***for the completed work only***. The applicant shall sign off on payments to the contractor upon inspection and satisfactory completion of work. Payment requests shall be submitted by the applicant based on meeting or exceeding a 40%/40%/20% work completion schedule. Applicants must pay the contractor within 5 business days of receipt of OCED payment.
5. **Post-Construction Inspection:** Upon completion, a final inspection is made by OCED staff, and all supporting documentation including itemized invoices, permits, sworn statements, lien waivers and inspections must be submitted in order to receive final payment. Final waiver of liens and sworn statements must be on file before release of final payment. A copy of the final inspection report will be provided to the applicant.

CHAPTER VI

HOUSING REHABILTIATION LOAN - TERMS AND CONDITIONS

A. General

This chapter outlines the requirements for Housing Rehabilitation loans including the terms and conditions to which an applicant must agree in order to obtain financial assistance, as well as references to income limits for eligibility.

B. Terms and Conditions

Upon approval, the applicant will be required to sign documentation stipulating the following:

1) **Civil Rights:** The applicant agrees not to discriminate upon the basis of race, color, creed, sex, ethnic background, national origin, veteran status, sexual orientation or religious preference in sale, lease and use of occupancy.

2) **Use of Proceeds:** The applicant agrees to use the proceeds only to pay for costs of services and materials necessary to carry out the rehabilitation work.

3) **Inspection:** The applicant agrees to progress inspections by the Rehabilitation Specialist of the property, the rehabilitation work, and all contracts, materials, equipment, payrolls and conditions of employment pertaining to the work.

4) **Bonus, Commission or Fee:** The applicant agrees not to pay any bonus, commission, or fee for the purpose of obtaining approval of the application, or any other approval or concurrence, required by OCED to complete the rehabilitation work, financed in whole or in part, with the rehabilitation deferred loan.

5) **Equal Employment Opportunity:** The applicant agrees to abide by the provisions of the federal, state or local Human Rights Ordinance governing equal employment opportunity.

6) **Preservation of the Security:** The applicant agrees to maintain the property and permit periodic inspections of the property during the term of the deferred loan. The homeowner agrees to the maintenance requirements as outlined in the contractual documents.

7) **Property Insurance:** The applicant agrees to secure and maintain, in an amount equal to the replacement value of the structure, property and casualty insurance policies during the term of the lien, naming the applicable municipality as a lien holder.

8) **Deferred Loan Structure:** The applicant agrees to repay the deferred loan balance in full upon any change of ownership of said property including but not limited to: transfer by gift, mortgage, sale, and sale by land contract, inheritance, conversion to rental property, or change of homeowner's primary residence. The applicant agrees to immediately notify OCED of any of the above changes.

9) **Cancellation:** In the event that the applicant shall not complete the improvements in accordance with the contract documents, the total amount referenced in the *Jurisdiction/Homeowner agreement* shall become due and payable upon sixty (60) days notice by the appropriate jurisdiction.

10) **Property Security Interest:** Prior to the initiation of work, the applicant will execute an initial Promissory Note and Mortgage for the contracted amount of the rehabilitation agreement. If an emergency contracted amount is less than $5,000 then there will be no security document filed on the property. Upon completion of the rehabilitation work, if the contracted amount has changed, then the recipient agrees to execute a final Promissory Note and Mortgage for the final amount of the rehabilitation work.

CHAPTER VII

ELIGIBLE AND INELIGIBLE WORK

A. General

The purposes of the housing rehabilitation programs are to eliminate code violations, make energy improvements, eliminate architectural barriers, and correct safety problems. Upon completion of work, the condition of the property shall comply with federal, state, and local codes. It is **not** the policy of the housing programs to undertake cosmetic rehabilitation. All work will be completed according to current local codes including but not limited to the Michigan Building Code, Michigan Residential Building Code and the International Property Maintenance Code . Once the homeowner or homebuyer is accepted into the program, the Rehabilitation Specialist and/or the Developer will discuss the specific repairs and improvements that will be made to the house.

B. Eligible Work Categories

The following work items are eligible and are prioritized as follows:

1) **Hazardous Violations:** Conditions which present an immediate danger to the occupants. Examples include exposed bare wiring, leaking gas lines, furnaces with cracked heat exchangers, inoperable furnaces, severely leaking roofs, missing handrails, broken steps, severely deteriorated structural members and doors, windows which cannot be secured, lead based paint hazard remediation.

2) **Existing Code Violations:** All work, including permit changes, necessary to eliminate existing violations of the Housing Codes as cited by the Rehabilitation Specialist.

3) **Incipient Code Violations:** An incipient violation is a condition which will, in the opinion of the Rehabilitation Specialist, deteriorate to an actual violation within twelve (12) months.

4) **Barrier-Free Improvements:** Examples include ramps, grab bars, and chair lifts to provide accessibility for handicapped persons as well as provision of additional bathrooms or storage facilities on the first floor or grade level for household members with limited mobility.

5) **Lead-Based Paint:** Examples include all work associated with the control of lead-based paint hazards.

C. Eligible Single Family Rehabilitation Program Home Improvements

The following list includes specific home improvements that may be provided through the Single Family Rehabilitation Program:

Exterior Improvements:

Installation of new windows Approved for installation where existing windows are broken, single pane or severely deteriorated.

Installation of new doors Approved for repair or replacement where existing doors are broken, pose a safety hazard or are severely deteriorated.

Install new exterior siding Approved to help make structure weather tight. Not approved for aesthetic reasons. Fascia and Soffit maybe considered to be wrapped in metal where exposed wood is deteriorated.

Installation of grading Approved for installation where a home has grading issues that directly cause moisture issues such as water intrusion into a structure.

Installation of concrete Approved for installation where a home has drainage issues related to improperly sloped concrete which leads to a moisture issue such as water intrusion into a structure.

Installation of gutters Approved for installation where no gutters exist or existing gutters are deteriorated or have caused a water intrusion problem.

Brick repair or tuck pointing Approved for repair where existing brick is deteriorated and is causing or may soon cause a problem structurally.

Roof replacement or repair: Approved for repair or complete replacement where shingles are deteriorated the home has a roof leak or other structural roofing concerns exist.

General Interior Improvements

Staircase Handrails: Approved for installation where none exist or existing handrails are deficient.

Floor covering, carpet or vinyl: Approved for installation where existing flooring is severely deteriorated and allowing moisture intrusion into subsurface materials or poses a trip hazard.

Electrical Improvements

Approved Electrical repairs may include correction of code violations, replacement of deteriorated electrical panels, wiring, outlets, switches and fixtures. Installation of hardwired smoke/carbon monoxide detectors.

Plumbing Improvements

Approved plumbing repairs may include correction of code violations, replacement of deteriorated supply or drainage piping, fixtures and faucets.

Mechanical Improvements

Approved mechanical repairs may include correction of code violations, replacement of deteriorated or unsafe gas supply lines, venting, furnaces, boilers or water heaters.

Accessibility Improvements

Approved accessibility improvements may include grab bar, shower bars or entryway improvements related to safety concerns. The program does not provide modifications to structures such as widening doorways etc.

Energy Efficiency Improvements

Approved Energy Efficiency related improvements may include installation of insulation (attic, wall or foundation) air sealing work, high efficiency furnaces. Energy efficiency work shall be justified by an approved program energy audit which documents that eligible improvements have a savings to investment ratio of 1.0 or greater.

Miscellaneous Improvements

Radon Mitigation Systems Installation of sub-slab radon mitigation systems shall be approved where a radon level above the EPA recommended level is documented.

Plastic Vapor barrier Installation of 6 mil Visqueen vapor barrier shall be approved where exposed ground is present in a crawlspace.

Dryer Vents Clothes dryer vents are approved for installation when existing are deteriorated or not present.

Lead based Paint Remediation of lead based paint is approved per relevant HUD guidelines. Treatment of lead based paint will generally be identified through a Risk Assessment.

Mold remediation Mold remediation will be approved in cases where low to moderate mold conditions exist. The intent of mold work is to address conditions that may lead to mold growth. The program does not offer 'whole house' mold remediation.

Other possible improvements may be considered on a case by case basis. Emergency cases will be covered by the Emergency Assistance Program. Possible Emergency cases may include sewer system collapse, inoperable furnace or a leaking water heater as well as a leaking roof.

C. Demolition and Replacement

If, in the opinion of the Rehabilitation Specialist, a structure that is beyond reasonable repair, demolition and possible replacement may be recommended. In such cases, notification of the appropriate local, state jurisdiction and/or the Historic District Commission will be completed and all appropriate HUD procedures will be followed prior to a final decision being made on any demolition. Relocation assistance may also be provided according to the conditions of the Uniform Relocation Act.

1) **Accessory Structure:** Accessory structures such as garages and sheds beyond reasonable repair or are a hazard may require demolition and may not necessarily be replaced.

D. Ineligible Work:

1) Where there is evidence that abuse, malicious destruction or willful neglect by the applicant created the need for such work.

2) Where the general condition of the property indicates that the owner has not or will not take reasonable action to preserve the value of the existing property and proposed improvements or where the owner has not maintained the property in conformance with applicable city housing, zoning and nuisance codes.

3) In cases of reapplication, no work previously financed through this program will be contracted for again unless the Rehabilitation Specialist determines that the need to redo the work was not the fault of the owner.

4) General improvements, unless deemed appropriate by the Rehabilitation Specialist. Housing developers may include general improvements in the scope of work if the developer utilizes non-OCED funds to pay for the general improvements.

5) The difference in cost to upgrade materials in the specifications will be the responsibility of the property owner.

6) Appliances other than those required by federal, state, and local code.

7) Enclosing of open areas, such as porches and decks

8) Purchase, installation, or repair of furnishings.

9) Sweat equity owner labor.

10) Delinquent taxes, penalties or special assessments.

11) Commercial structures, with the exception of code related improvements in mixed use, rental structures.

12) Patios, general landscaping and air conditioning (unless medically necessary).

13) Any work otherwise eligible but substantially completed prior to the start of OCED contract work.

E. Utilizing Developer Staff to Complete Rehabilitation Work

For single-family and multi-family projects, the developer may act as the general contractor, oversee the procurement process, inspect the performance of sub-contractors, and/or utilize their maintenance staff to complete rehabilitation work. All work performed by the developer under this section still requires approvals by OCED rehabilitation staff.

1) **Oversight of Rehabilitation:** The agency will have oversight of the specification writing, bidding, and procurement process including inspections of work done by sub-contractors and staff. This oversight can include pulling permits and setting up code inspections. All developer staff that performs oversight of rehabilitation must be paid from the developer fee. If the developer hires an outside consultant to oversee the rehabilitation process, the consultant must be paid from the developer fee.

2) **Developer as General Contractor:** An applicant must demonstrate considerable experience and ability to the satisfaction of OCED rehabilitation staff in order to act as a general

contractor and to utilize staff to complete the work. The scope of work will be determined under the same program guidelines as contracted work. All work must be performed and will be inspected on the basis of the same material standards and installation procedures as contracted work. OCED rehabilitation staff will review and approve all work orders which shall be included with the developer's bid documents. The developer's staff must track their time for each rehabilitation component and may charge the contract for eligible staff cost. Payroll documentation must be provided to determine the hourly cost of each employee.

3) **Reservation of Funds:** The rehabilitation staff will insure that sufficient funds are reserved within the loan amount so that in the event the contract expires or is terminated before all code violations are corrected, a general contractor can be contracted to complete the work within the approved recoverable grant amount.

4) **Leveraged Funds:** Agencies may leverage OCED contracted funds with additional funds, private or public. The agency may complete rehabilitation beyond the scope of OCED contract with the developer's funds, and under the developer's procurement rules and regulations, after completion of the work OCED has contracted for.

5) **Expense Reimbursement:** All payments will be made to the agency on a reimbursement basis *only*. Under certain circumstances when the owner does not have sufficient resources to make an initial payment, a maximum amount determined by OCED staff may be advanced against the final payment on the contract so that an owner can begin the purchasing of materials.

a) The owner is expected to have installed all materials for which he/she has been reimbursed before approval of additional payment can be approved.
b) No payment will be made on materials without proper receipts. Receipts must be noted as to the material purchased. Original receipts will be submitted with the corresponding "Application for Payment."
c) At the time of submission of the final "Application for Payment" and waiver of liens, a final "Change Order" will be prepared to adjust for any discrepancies between estimated and actual costs.

CHAPTER VIII

CONTRACTOR QUALIFICATIONS AND BIDDING PROCEDURES

A. General

It is intended that construction work be carried out in a timely manner, be of acceptable workmanship and be fairly priced. Participation in the housing programs is open to all State licensed building contractors pending approval from OCED staff. An acceptable building contractor must be of good reputation, financially sound, have adequate financial resources to carry out his/her bid proposal and be qualified to do the required work. The term "Contractor" applies to the firm bidding on work or receiving an award. This section sets forth requirements and procedures with respect to contractor qualifications for participation in the housing programs. OCED will maintain a list of contractors eligible to bid on work financed through the housing programs.

B. Policy

All contractors will be subject to the following requirements:

1. **Contractor Qualification:** For all housing projects, general contractors must be pre-qualified by OCED rehabilitation staff prior to bidding on rehabilitation projects. OCED will hold an annual training session that is mandatory for potential contractors and active contractors already approved to work with OCED. Application packets will be distributed at the contractor training session. ***The minimum requirements for contractor approval are:***

    a. The general contractor must be a licensed builder with no violations on file with the Michigan Department of Labor and Economic Growth (DLEG) for a period of 3 years. The status of the contractor's license will be verified with DLEG by the Operations Manager. Sub-contractors shall be licensed in their trade, if required. OCED rehabilitation staff will verify and document that he/she is not on the list of Federally Debarred Contractors.

    b. At the time of application, all potential contractors must provide proof of Worker's Compensation Insurance, General Liability Insurance and Comprehensive Automobile Liability Insurance up tithe limits specified in the general contract terms and conditions.

    c. All potential contractors must be able to demonstrate evidence of his/her rehabilitation/construction experience, ability to complete projects in a workmanlike manner, ability to work with the homeowner and OCED staff, and ability to complete projects on time. The contractor must submit a minimum of four (4) customer references for projects underway and/or completed within twelve (12) months at the time of application..

    d. The contractor must be approved by OCED for Living Wage requirements. The contractor must receive Human Rights and Living Wage approval from the City of Ann Arbor.

    e. The contractor is required to submit a current 3-in-1 merged credit report, DUNS report, or verification of a line of credit from his/her financial institution with the application.

2. **Bidding Procedures:** Projects up to $2,000 may be negotiated between the contractor and the Rehabilitation Specialist. All contracts between $2,000 and $5,000 require a bid or quote by telephone or in writing. All contracts above $5,000 will follow the sealed bid process below. Any licensed contractors may be allowed to bid on the project. At the discretion of OCED, one of the following procedures will be used to select prospective bidders from the list of approved contractors.

   a. Qualified contractors will be selected at random from the list of approved contractors to receive an Invitation to Bid (ITB).

   b. All qualified contractors on OCED list of eligible contractors may receive bid packages.

   c. All bids must be returned in a sealed envelope to OCED or Purchasing by the specified date and time. Bids received after the deadline will be rejected.

   d. Bids shall be opened at the specified date and time, reviewed and awarded.

3. **Contractor Restrictions:** Housing rehabilitation contractors are permitted no more than 3 (three) awarded concurrent contracts or a maximum of $100,000 in rehabilitation contracts, unless it is determined that it is in the best interests of OCED programs, to waive these requirements.

4. **New Contractors:** Newly approved contractors to the Housing Program will be placed under *probation status* meaning they will only be able to have one awarded contract in progress at any time until they have successfully completed at least three (3) contracts. Successful completion of three contracts removes this restriction and the contractor may have more than one construction project at any given time. Removing the contractor from the probation status is at the discretion of OCED rehabilitation staff.

5. **Bonding:** Contractors may be required to provide a labor, material and/or performance bond on any rehabilitation or construction contract at the discretion of OCED.

6. **Performance Standards:** Contractors proven to provide poor service or quality of workmanship and/or exhibit behavior that is not professional in the opinion of OCED will be debarred or suspended from any future work with OCED. Contractors will be informed of this decision in writing with the opportunity to appeal to the OCED Director or his/her designee.

7. **Permits:** Participating general contractors must obtain all permits that are required to perform the authorized scope of work. The contractor must comply with all the regulations governing the issuance and inspections of any work permitted. Furthermore, all general contractors and subcontractors must possess trade or other professional licenses as may be required by the State of Michigan and Washtenaw County in order to perform such functions that are subject to licensing. Each contract between a contractor and a property owner shall contain language excluding participation to contractors who fail to perform work in a satisfactory manner.

CHAPTER IX

SUBORDINATION POLICY FOR ALL PROGRAMS

General Policy

The subordination of a loan made by OCED under the housing programs is granted at the discretion of OCED and in accordance with the Housing Program guidelines, and only after consideration of a recommendation made by the Operations and/or Housing Manager. Factors considered for subordination include the homeowner's current primary residence, the appraised value of the property for which the mortgage will be subordinated, the outstanding balance of all mortgages, the proposed use of the proceeds of the new mortgage, impact on the housing programs, the need of the applicant, and other pertinent facts.

It is the policy of OCED that each request to subordinate to a refinanced primary loan will be reviewed based on whether the provisions of the request are in accordance with all subordination program criteria. All requests shall be subject to an underwriting review, in accordance with established program guidelines.

HOMEOWNER - Permissible Subordinations

a. Refinance an existing primary mortgage solely to obtain a reduced (fixed) interest rate resulting in a lower monthly payment for the borrower, without the withdrawal of equity (except for any amount needed to pay settlement costs on the new refinance loan which could include costs for points, recording, an appraisal and a title report).. An exception will be allowed when the purpose of refinancing is to reduce the term of the primary mortgage from 30 to 20, 15 or 10 years, which usually causes an increase in monthly mortgage payments. This would include when a balloon or ARM matures and the client switches to a fixed product.

b. Refinance an existing primary mortgage to obtain a comparable (fixed) interest rate and extended payment terms resulting in a lower monthly payment for the borrower (no cash out). This would include when a balloon or ARM matures and the client switches to a fixed product.

c. Refinancing that entails the withdrawal of equity, without requiring the repayment of the outstanding loan balance, if the purpose of the refinancing is to undertake home repairs on the property assisted with OCED funding (as distinguished from general improvements or remodeling).

    a. OCED may approve such a subordination request as a means of protecting the assets on which OCED has a mortgage.
    b. OCED may approve such requests only under the following conditions:
        i. The Borrower signs an affidavit stating that he or she will use the proceeds for home repair.
        ii. The Borrower provides OCED with a copy of a contractor's estimate that justifies the withdrawal of equity.
        iii. The Borrower demonstrates that the repairs are necessary for maintaining the home according to local housing codes.
    c. As a further condition of approval, OCED will permit a withdrawal of equity only for the amount needed to pay for housing-code related repairs. OCED will determine the reasonableness of the amount requested.

d. Refinance an existing mortgage to halt foreclosure proceedings by a lender or halt tax deed foreclosure proceedings.

e. Obtain a loan to pay for medical emergencies not covered by insurance.

For any of the above circumstances, actual customary and reasonable costs required to close the new loan may be included in the new principal mortgage.

HOMEOWNER - Non Permissible Subordinations

Subordination requests for purposes other than those stated above are not permitted, unless approved by the Director in writing for good cause. In addition, OCED will not permit subordinations that result in a reverse equity mortgage, home equity loan or line of credit, or that require OCED to subordinate into a third position. As such OCED *will not* consider requests to subordinate for cash out the consolidation of consumer debt, such as credit cards.

OCED will not subordinate in a transaction where the Loan to Value ratio (including outstanding OCED dollars) exceeds 100% of the appraised property value. This requirement may be waived at the Director's discretion for good cause.

HOMEOWNER - Important Subordination Limitations

It is the duty of OCED to manage its housing programs loan portfolio in a responsible manner, not subject federal and taxpayer dollars to unnecessary risk and maintain the integrity of the housing programs intent to assist low income homeowners.

At the time of the subordination request, the premises for which OCED made the original loan must also be and remain the household's primary residence, unless the specific loan documents provide for a lesser period of occupancy as the Borrower's primary residence.

An approved subordination will not change the original terms of the loan being subordinated unless the Director determines that changes are necessary to protect the investment of funds in the property.

OCED will closely scrutinize and may deny a subordination request that reflects excessive closing costs or suggest either a predatory lending practice, or effect.

The new loan amount must not exceed 3% in closing fees and/or 6% in settlement fees. It may not include excessive closing costs or broker's fees.

Conditions for Consideration

A complete "Request for Subordination" form shall be submitted to OCED directly from the Borrower or new primary mortgage lender or broker with a written authorization from the Borrower. The form must include each of the following documents before OCED will begin the subordination process:

1) **For all applicants, an executed commitment letter or similar document showing the following:**

   a) Name and address of the lender.
   b) Proposed loan terms.
   c) Expiration of the interest lock-in rate.
   d) Monthly principal and interest payment amount.
   e) Clear statement of any cash out amount and purpose.
   f) Any other conditions imposed by the Lender.
   g) A copy of the borrower's refinancing loan application that corresponds with information in the commitment letter.
   h) For homeowners, a copy of the HUD-1 Form to be executed at closing.
   i) For homeowners, a copy of the Borrower's credit report demonstrating the Borrower's ability to support the proposed debt.
   j) For all rentals and for homeowners if required by the provider of the refinanced mortgage, a complete copy of the appraisal showing the current appraised value of the property by a qualified appraiser (no older than 90 days before the date of application).
   k) A copy of the title report/tile commitment (no older than 30 days before date of application).
   l) A copy of the home inspection report or detailed contractor's estimate (if any).
   m) Evidence that all property taxes and municipal fees have been paid.
   n) If applying for subordination to pay for medical emergencies, copies of medical bills and/or estimates to be paid with loan proceeds, and evidence that expenses are not covered by insurance, such as private insurance, Medicaid, Medicare, etc.
   o) If applying for subordination to halt foreclosure proceedings, evidence from the lender or other lien holder that foreclosure proceedings are threatened or underway.

2) **Rental property owners:**
   a) Non-refundable $150 application fee by cashier's check or money order
   b) Sources and uses statement
   c) 10 year operating pro forma

3) **Homeowners:**
   a) Household income with supporting documentation and family size.
   b) Non-refundable $75 application fee by cashier's check or money order.
   c) Purpose of the subordination and use of new recoverable loan.

Satisfactory Conditions for Subordination

1) **Rental Properties**
   a) The total secured indebtedness on the subject property, including the City of Ann Arbor or Washtenaw County lien, may not exceed 100% of the appraised value of the property.
      i) The appraised value will be the sales value, not the value based on income due to the rent restrictions on the property..
      ii) The purpose must be refinancing due to loan maturation, refinancing for a lower interest rate or better terms, a line of credit and/or additional funds for property improvements on the property requesting subordination.

2) **Homeowner**
   a) At minimum, a two-year period must have lapsed from the date of execution of OCED's interest in the applicant/subject property, prior to application for subordination. If the loan to be refinanced is less than two (2) years old, the refinance must result in an interest rate reduction of at least two (2) points or a monthly principal and interest savings of $100.00.
   b) The total secured indebtedness on the subject property, including the City of Ann Arbor or Washtenaw County lien, does not exceed 100% of the appraised value of the property.
   c) The total debt-to-income ratio for the applicant does not exceed 50% of the household income.
   d) If the applicant is no longer income-eligible for the program the applicant will not be eligible for subordination. If the applicant decides to pursue the private loan, the applicant will need to pay off the deferred loan provided by OCED .
   e) OCED will agree to subordination for a refinance no more than once in any 24-month period.

Timeline for Processing

1) Application, fee and supporting documentation are received by OCED and materials are reviewed.

2) The applicant must allow a physical inspection of the property by the Rehabilitation Specialist to determine the condition of the property.

3) The Operations Manager reviews the documentation to determine whether the proposed terms and uses meet the policies stated in the subordination guidelines. The Operations Manager will make a decision within fourteen (14) working days of receiving a complete application. Upon approval, the Operations Manager notifies the Lender of OCED's approval or denial of the request..

   a) If the conditions meet the policy and the application is approved, the Intake Specialist will prepare a Subordination Agreement and notify the Lender and the Intake Specialist will mail the Subordination Agreement to the applicant's title company or loan officer for recording.
   b) The Subordination Agreement must be signed by OCED Director and notarized by the Intake Specialist.
   c) If the subordination is not approved, the Operations Manager will notify the applicant in writing as to the reason for denial.
   d) All filing costs associated with the new subordination agreement shall be the responsibility of the borrower.

Subordination Appeals

If the borrower is unsatisfied with OCED staff recommendation, they may request an appeal by writing a letter of appeal to the OCED Director that includes a copy of the subordination determination letter. See Chapter XIV for further details

Office of Community and Economic Development
110 N. Fourth Avenue, Suite 300
P.O. Box 8645
Ann Arbor, MI 48107
Attn: Housing Rehabilitation Program – Subordination Request

CHAPTER X

AFFIRMATIVE MARKETING AND OUTREACH REQUIREMENTS

OCED, or its designee, will administer HOME and CDBG programs in accordance with Affirmative Marketing requirements for all projects over 5 units, including:

1) Establish an Affirmative Marketing Plan which details:

   a) Methods for informing the public and homebuyers of the availability of the program, including the proposed types of commercial media and community contacts to be used. Methods of informing the public should include those that are likely to inform and solicit applications from persons in the housing market ("service") area who are not likely to apply for the housing assistance without special outreach (e.g., use of community organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies).

At a minimum, OCED outreach efforts and selection procedures should include the following:

   b) Publication in a newspaper of general circulation in the area in which housing activities are proposed, notifying potential eligible homebuyers of the opportunity to apply for the homebuyer assistance, and soliciting applications for activities.

   The notice should, at a minimum include the following:

      i) Instructions as to with whom and where the applicant must apply.
      ii) Minimum eligibility criteria, i.e., income restriction, owner-occupancy, value limitation, etc.
      iii) Maximum assistance available per household.
      iv) Establish a fixed period of time (for example, 45 days) in which potential eligible homebuyers/tenants should apply.

   c) Based on applications received by the developers in response to the public notice and other marketing efforts, OCED should prioritize the applications received, based on a written policy they have established for this purpose. Project set-ups should reflect, as closely as possible, the prioritization of applications.

   d) In the event insufficient eligible homebuyers are identified through this application process to commit and expend all funds available, OCED may elect to re-advertise the public notice, or utilize remaining available funds on a first-come, first-serve basis.

      i) Records must be retained by OCED regarding all applications received, and application prioritization, approval or denial.

      ii) OCED's affirmative marketing policy must include the use of the Equal Housing Opportunity logo, type or slogan in press releases and solicitations for program participation, and display of fair housing posters in common space(s) of OCED offices. OCED's affirmative marketing policy may further include, but may not be limited to, other forms of advertisements, Public Service Announcements, press releases and informational mailings.

2) Annually assess the success of its Affirmative Marketing Plan and take corrective actions where it is determined that affirmative marketing requirements have not met. OCED's Affirmative Marketing Plan and annual assessment conclusions must be retained at the administrative offices, and made available upon request.

CHAPTER XI

APPLICABLE FEDERAL REGULATIONS

The local governing bodies, contractors, sub-contractors, vendors, and applicants for rehabilitation assistance are required to abide by a number of State and Federal laws, and may be required to sign documents certifying their compliance.

- The Civil Rights Act of 1974
- Executive Order 11246 concerning Equal Employment Opportunity
- Standards of Conduct for CDBG Recipients – Conflict of Interest
- Notice of Requirement for Action to Ensure Equal Employment Opportunity
- Standard of Equal Opportunity Construction Contract Specifications
- Certification of Non-Segregated Facilities for Contracts over $10,000
- Title VI of Civil Rights Act of 1964 Provisions
- Section 109 of Housing and Community Development Act of 1974 Provisions
- Section 3 Compliance Provisions
- Age Discrimination Act of 1975 Provisions
- Section 504 Affirmative Action for Handicapped Workers Provisions
- Lead-based Paint Hazard Provisions (Title X)
- Procurement
- Access to Records/Maintenance of Records Provisions
- Conflict of Interest Provisions
- Davis-Bacon Act Provisions

Any contractor selected to receive CDBG funds or HOME funds must comply with all requirements of the CDBG regulations issued by HUD under 24 CFR Part 570 or the HOME requirements issued by HUD under 24 CFR Part 92, including but not limited to the following:

A. **Nondiscrimination and Equal Opportunity.** An entity selected to receive federal funds must comply with the following:

The requirements of Title VIII of the Civil Rights Act of 1968 and Title VI of the Civil Rights Act of 1964 relating to the prohibitions against discrimination in housing and the denial of benefits of federally funded programs because of race, color, religion, sex, national origin, disability, or familial status;

The prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975 and the prohibitions against discrimination against handicapped individuals under Section 504 of the Rehabilitation Act of 1973;

The requirements of Executive Order 11246 relating to equal employment opportunity in connection with federally funded programs, as amended by 11375, as supplemented by 41 CFR Part 60.

The requirements of Section 3 of the Housing and Urban Development Act of 1968 relating to the training and employment of individuals and the contracting of businesses from the metropolitan area in which the federally funded program is located. Section 3 of the Housing and Urban Development Act of 1968 shall apply to Rehabilitation Contract. To the greatest extent feasible, the contractor shall give opportunities for employment to lower income persons residing within the County, and shall award contracts for work in connection with the Rehabilitation Contract to business concerns which are located in or owned in substantial part by persons residing in the County.

The requirements of **Executive Orders of 11625, 12432, and 12138** relating to the use of minority and women's business enterprises in connection with federally funded programs **(Affirmative Action)**, as specified in Executive Order 11246 and the implementing regulations (41 Code of Federal Regulations, Chapter 60). The contractor shall agree to take affirmative action to insure fair treatment in hiring, employment upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay, or other forms of compensation and selection for training and apprenticeship.

B. **Applicability of Uniform Administrative Requirements.** The entity shall comfy with the policies, guidelines, and requirements of 24 CFR 570 and 24 CFR Part 92, as applicable.

C. **Conflicts of Interest.** In addition to conflict of interest requirements in 24 CFR Part 84, no person who is an employee, agent, consultant, officer, or elected or appointed official of the County and/or Community Development, state recipient or non-profit recipient (or of any designated public agency) that receives federal grant amounts and who exercises or has exercised any functions or responsibilities with respect to assisted activities or who is in position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereof, or the proceeds there under, either for himself or herself or those with whom he or she has family or business ties, during his or her tenure or one (1) year thereafter.

D. **Lead Based Paint Notice & Verification(s).** Rehabilitation work must comply with the HUD regulations and Lead Based Paint Procedures, as amended from time to time.

E. **Debarment and Suspension.** The requirements set forth in 24 CFR Part 5 apply to all OCED programs.

F. **Section 3 of the Housing and Urban Development Act of 1968.** Bidders shall be required to comply with all applicable provisions of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, and the regulations issued pursuant thereto, as set forth in C.F.R. Part 135, and all applicable rules, directives and orders issued by HUD there under. Section 3 requires that, to the greatest extent feasible, opportunities for training and employment generated by a Section 3 covered contract be given to public housing residents and other low income persons residing in the metropolitan area, and subcontracts in connection with such contracts be awarded to Section 3 covered business concerns which are located in, or owned in substantial part by persons residing in the areas of the project. The successful bidder shall be required to insert in any subcontract resulting from the proposed contract, the Section 3 clause set forth in general terms and conditions of the OCED construction contracts.

CHAPTER XII

DEVELOPER REFINANCING GUIDELINES

Multi-family projects developed by housing organizations that receive HOME or other funds for rehabilitation through the Office of Community Development may apply for HOME or other funds to refinance existing debt, consistent with the HOME regulations at 24 CFR 92.206(b)(2), if they meet the following guidelines:

1) Refinancing is necessary to permit or to continue affordability under 24 CFR 92.252 for HOME funds and if HOME funds are not eligible, then other funds may be used;

2) Rehabilitation is the primary eligible activity. A minimum of $5,000 of rehabilitation per unit is required;

3) The grantee must demonstrate management capacity and practices that ensure that the long term needs of the project can be met and the targeted population can be served over an extended affordability period;

4) The grantee must demonstrate that the new investment is being made to maintain current affordable units, to create greater affordability in current affordable units; or to create additional affordable units;

5) Refinancing will be limited to projects that have previously received an investment of public funds;

6) The minimum HOME affordability period shall be 15 years;

7) HOME and other funds may be used for refinancing anywhere in the Urban County;

8) HOME funds cannot be used to refinance multi-family loans of 5 units or more, made or insured by any Federal program, including CDBG.

CHAPTER XIII

WAIVER and REVIEW GUIDELINES

A. General

Complaints concerning the housing programs should be made to the OCED Director first. The City of Ann Arbor Housing and Human Services Advisory Board and the Washtenaw Urban County Executive Committee are responsible for reviewing the activities, policies, and administration of the OCED housing programs. Complaints and/or waiver requests may be made to the appropriate decision-making body. No federal, state or local statutory guidelines or regulations may be waived. However, the City of Ann Arbor and Washtenaw County have established the following complaint and waiver procedures. *Please refer to the OCED Citizen Complaint Process (amended March 2009) for additional details.*

B. City of Ann Arbor Complaint & Waiver Requests

The Housing and Human Services Advisory Board is responsible for hearing individual complaints and considering waivers about the City of Ann Arbor Housing Programs. A guideline waiver is formal approval of a request to set aside guidelines in the case of extenuating hardship circumstances. Requests must be submitted in writing to the OCED Director (or his/her designee). OCED staff will attempt to resolve the concern(s). If no resolution is reached in a reasonable amount of time as determined by OCED, the request is submitted to the Housing and Human Services Advisory Board at its next scheduled meeting. The applicant will be notified of the meeting. Decisions of the board are based on actions taken by a majority of members present when there is a quorum. Housing and Human Services Advisory Board decisions may be appealed to the City Administrator and the Department of Housing and Urban Development (HUD), when HUD funds are involved.

C. Washtenaw Urban County Complaint & Waiver Requests

Complaints and waiver requests about Washtenaw County Housing Programs shall be put in writing, and submitted to OCED Director (or his/her designee). Program staff will attempt to resolve the concern within a reasonable period of time. If no resolution is reached, the complaint or waiver request shall be submitted to the Urban County Executive Committee at their next meeting. Notice of and invitation to the meeting shall be provided to the applicant. Decisions of the board are based on actions taken by a majority of members present when there is a quorum or by polling the members. Urban County Executive Committee decisions may be appealed to HUD, when HUD funds are involved.

D. Dispute Resolution

In the event a dispute arises with the property owner and the contractor; and OCED, the Housing and Human Services Advisory Board, or the Urban County Executive Board are unsuccessful in resolving the dispute; the dispute may be resolved through arbitration with the Washtenaw County Dispute Resolution Center.

CHAPTER XIV

OTHER HOUSING RESOURCES

Depending upon the availability of funding, OCED may oversee programs and projects that function according to federal, state or locally approved guidelines. Full program descriptions can be reviewed in OCED. These include:

1) **Ann Arbor Housing Trust Fund:** These funds are designed to promote, retain and create long-tem affordable housing for very low, low, and moderate income residents.

2) **Washtenaw County Housing Contingency Fund:** These funds are designed to promote, retain, and create long-term affordable housing for very low, low, and moderate income residents. Additional projects may be funded with other County funds.

3) **Technical Assistance:** provided for projects such as demolition, acquisition and redevelopment of commercial properties, economic development, housing projects or other projects as they arise.

4) **Public Infrastructure:** For an activity to be eligible for Public Facility and Improvements funding, the activity must include the acquisition, construction, reconstruction or the installation of public facilities and improvements. HUD defines “public facilities” and “public improvements” as all improvements and facilities that are either publicly owned or traditionally provided by the government, or owned by a nonprofit and operated to serve the general public, such as a recreation center, library, parking lots, senior center, or day care center. Buildings for the general conduct of government are not eligible. When nonprofit entities or developers own such facilities, they must be open for use by the general public during all normal hours of operation.

In addition, facilities designed for providing non-permanent shelter for persons having special needs are considered public facilities. Such facilities include shelters for the homeless; convalescent homes; hospitals; nursing homes; battered spouse shelters; halfway houses for run-away children, drug offenders or parolees; group homes for mentally-disabled persons and temporary housing for disaster victims.

CHAPTER XV

URBAN COUNTY PROJECT PLANNING

A. Goals/Priorities

1) **Goals**: Goals and priorities are set forth in most current Consolidated Plan document.
2) **Priorities**: Project types by jurisdiction are different, so conference with local unit is important. All local units in Urban County have veto power over any community development project.
3) **Community Revitalization**: Whenever possible, project types are "clustered" to serve low-income areas for maximum positive benefit. For instance, a homeownership program may be paired with park improvements and owner-occupied housing rehabilitation in an area to demonstrate positive benefit in a shorter time frame.

B. CDBG Eligibility

1) **National Objective:** All CDBG projects must meet one (or more) of the following three national objectives for the CDBG program:
    a. Benefiting low and moderate-income persons;
    b. Preventing or eliminating slums or blight; and/or
    c. Meeting other urgent community development needs because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet the need.
2) **Activity Eligibility:** All categories of CDBG eligible activities and individual qualification details are included in the manual "Community Development Block Grant Program-Guide to National Objectives and Eligible Activities for Entitlement Communities". However, the general basic categories of projects follow: acquisition of real property, disposition, public facilities and improvements, clearance, public services, interim assistance, relocation, loss of rental income, Privately-owned utilities, rehabilitation, construction of housing, code enforcement, special economic development, microenterprise assistance, homeownership assistance, planning & capacity building, program administrative costs, miscellaneous, and special activities by Community Based Development Organizations.
3) **Ineligible Activities:** The following activities are not allowed by the CDBG regulations: a) Construction or rehabilitation of buildings used for general conduct of government, with exception of ADA/Accessibility improvements; b) general government expenses; c) political activities; d) purchase of equipment; operating and maintenance expenses; e) new housing construction; or f) income payments.
4) **Planning/Administrative**: Since OCED conducts all administration on centralized basis, planning and administrative funding is not generally available for local units' use.
5) **Documentation:** Recording of eligibility is responsibility of OCED and will be in project file.

C. Project Allocation

1) **Urban County Bylaws:** All CDBG and HOME projects are balanced in the Urban County over each 3-year cooperation agreement period. This balancing is done according to the formula and calculations in the bylaws, which are revised every time a new member joins the Urban County.
2) **Allocation Balance:** Quarterly reports are submitted to the Urban County to demonstrate compliance with 3-year allocation targets. OCED actively seeks and develops projects on behalf of local units that do not have their share of projects, so that they balance over

a three-year period.

3) **Human Services:** The Urban County allocates the maximum of 15% to CDBG human services each year and these projects are bid out in January/February for inclusion in the annual plan. The projects are generally those that serve the entire Urban County or several jurisdictions unless OCED is trying to develop a new program to cover an underserved area. Therefore, these projects do not count for or against any jurisdiction's "share" and are left out of the quarterly report unless they are targeted to one jurisdiction.
4) **Housing Developer Projects:** An RFP is issued annually for projects developed by both for profit and non-profit developers. Every attempt will be made to balance the funds throughout the County according to the formula adopted in the by-laws. However, due to the larger size and funding needs of developer projects, particularly rental projects, allocations may not be balanced throughout the County on a 3-year cycle. The Urban County will approve all funding allocations for projects selected through an RFP process.

D. Planning Timeline

1) **Project Identification (OCED/Local Units):** October to January for following year
2) **Cost Estimating:** Done by local units for OCED to assist with budgeting in October to January. Cost overruns are the responsibility of the local unit.
3) **Project Qualification (OCED):** Qualification documented in November to February for following year
    a. Area Benefit- Census Tract/Block Group map & Low-mod data (from HUD) for census tract(s) affected by project. Must demonstrate that at least 51% of area is low-mod
    b. Other- Project descriptions and documentation of eligibility by project type
4) **Environmental Reviews (OCED):** Completed by OCED staff prior to submission of annual plan to ensure that all projects are eligible and public notices completed.
5) **Budget Allocation (OCED):** Allocation of funding to categories in HOME & CDBG completed in February/March to allow for projects planned
6) **Draft Budget/Annual Plan (OCED):** Prepared in March for approval by Urban County and Washtenaw County Board of Commissioners
7) **Final Plan:** All projects included and sent to HUD for July 1 start

E. Compliance Responsibility

1) **OCED Project Management**
    a. OCED bids out engineering, construction, etc. through County Purchasing Dept. and consults with local unit on pertinent regulations, etc.
    b. OCED works with local unit and engineering firm to ensure and monitor regulatory compliance (MBE/WBE, Uniform Relocation Act, Procurement, Lead Regulations, Labor Standards, Section 3, financial management, Bonding/Insurance, Davis-Bacon, etc.).
    c. Local unit provides in-kind staffing support and maintains contact with construction
2) **Local Unit Project Management**
    a. OCED contracts with local unit of government for CDBG funding on project.
    b. Local unit of government contracts with engineering firm to bid out project.
    c. OCED works with local unit and engineering firm to ensure and monitor regulatory compliance (MBE/WBE, Uniform Relocation Act, Procurement, Lead Regulations, Labor Standards, Section 3, financial management, Bonding/Insurance, Davis-Bacon, etc.).
    d. OCED will periodically monitor the local unit for compliance with financial management, auditing, internal control and other financial management requirements of the federal funding.

APPENDIX A

DEFINITIONS

The following definitions shall be used with respect to the housing programs:

Codes and Standards: Includes local housing codes, the Michigan Residential Building Codes, and federal Housing Quality Standards (HQS).

Conversion: An alteration of a property so as to change either its number of dwelling units, or to eliminate a non-conforming use.

Cooperative: An organization, legally constituted as a cooperative for the purpose of providing housing to its members.

Dependent: A person under the age of eighteen (18) years or enrolled full-time in school or as defined by the IRS.

Developer: A legally organized entity receiving funding from the Office of Community Development under an agreement defining services to be provided.

Development Subsidy: The difference between the total development budget and the appraised value in a homeownership development project. This subsidy is an additional subsidy above and beyond the market value of the property that is invested to improve the neighborhood and/or to purchase long-term affordability (in the case of the use of a resale formula).

Disabled Household: Disabled is defined as a person who has a disability as defined in Section 223 of the Social Security Act (42 U.S.C. 423), or is determined to have a physical, mental, or emotional impairment that is expected to be long of continued and indefinite duration. This disability must substantially impede his/her ability to live independently, and be of such a nature that such ability could be improved by more suitable housing conditions. A disabled person is also defined in Section 102 of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(5)).

Director: The Director of the Office of Community and Economic Development, and/or his/her designee.

Duplex: A property of two (2) units used for residential purposes.

Dwelling Unit: A self-contained unit, containing at a minimum sleeping, cooking and bathroom facilities.

Elderly Household: Household of one or more persons with the head of the household sixty two (62) years or older.

Emergency Conditions: Housing conditions which present an immediate hazardous threat to the building or its occupants, including, but not limited to failure of heating, sanitary, domestic hot water, electrical, roofing or structural systems and other conditions deemed as emergency as the result of an inspection by the rehabilitation staff.

Fixed Income: Income derived from social security, pensions, federal, local, or state subsistence funds or support payments.

Gross Income: Anticipated annual earnings of the applicant, based on annualized weekly or monthly income as of the date of application.

Hazardous Violation: A violation of the building code standards which presents an immediate danger to the life and/or safety of the building occupants.

Homebuyer Subsidy: The difference between the appraised value and the loan amount of the homebuyer. This is the amount of subsidy that is secured in a recapture lien agreement because it is direct subsidy to the homebuyer to make the housing unit more affordable.

Household: An individual, or a group of two or more persons related by blood, marriage, adoption, and living together as a single housekeeping unit in a dwelling unit.

Household Income: The combined income of all persons residing in the household.

Housing Expenses: Will include principal and interest on a recorded mortgage or a land contract; hazard insurance; real property taxes; special assessments; reasonable maintenance costs and utility expenses, including gas, electricity, and water.

Incipient Violation: A condition that exists that could deteriorate within a year to an actual violation.

Land Sales Contract: A transaction in which the purchaser/occupant obtains fee title only if he completes a series of installment payments over a term of years.

Low Income: Household with incomes less than eighty (80%) percent of median income for the Ann Arbor Metropolitan Statistical Area, as determined by the U.S. Department of Housing and Urban Development.

Manufactured Homes*:* Dwelling that is factory build on a permanent, steel frame chassis, constructed in conformance with the National Manufactured Housing Construction and Safety Standards established by the Department of Housing and Urban Development (HUD).

Master Specifications: The construction specifications promulgated by the city which governs material, labor and workmanship for residential rehabilitation.

Multi-family Dwelling: A property of four (4) or more units used for rental residential purposes.

Owner: One or more persons who hold title to a property including those purchasing through a mortgage or land sales contract.

Owner/Occupant: An owner(s) of a 1-4 unit property who occupies and uses the property primarily for residential purposes.

Personal Assets: Cash, cash deposits, negotiable bonds, stocks or other financial instruments, business equity, or equity in real estate other than property being considered for rehabilitation.

Primary Residence: It is the residence of that the owner will spend most of his/her time and would use as a residence for tax purposes, driver's license, and other functions.

Rehabilitation Cost: The total cost of work necessary to bring a property up to code and energy standards, plus any additional costs specified as part of the work order.

Rehabilitation Fund: Consolidated funds for the Office of Community and Economic Development's various financial assistance programs. It is operated under provisions of the Federal Administrative regulations governing the CDBG Program (24 CFR570).

Relocation: Assistance provided to individuals as defined under the Uniform Relocation Act.

Renter: The lessee or tenant of residential property.

Responsible Bidder: Contractor, supplier, or vendor, qualified on the basis that it (1) has adequate financial resources to perform a contract, (2) is able to comply with the associated legal or regulatory requirements, (3) is able to deliver according to the contract schedule, (4) has a history of satisfactory performance, (5) has good reputation regarding integrity, (6) has or can obtain necessary data, equipment, and facilities, and (7) is otherwise eligible and qualified to receive award if its bid is chosen.

Responsive Bidder: Responsible bidder whose solicited bid is determined to be in substantial conformance with the conditions, completion or delivery requirements, and specifications detailed in the invitation-to-bid (ITB), request for proposals (RFP), request for quotations (RFQ), or request for tenders.

Security Interest Lien: A document to be recorded with the Washtenaw County Register of Deeds which describes the terms and conditions of the recoverable grant.

Single\Multi-unit: A single family unit, two-family unit, or multi-family units which are renter occupied and qualify for housing assistance.

Substandard: Housing which lacks basic plumbing and/or is physically dilapidated, and does not meet housing quality standards.

Sweat Equity: Rehabilitation work performed by qualified homeowners under contract with the city through the Housing Rehabilitation program.

Two Family Dwelling: Detached building containing only two residential units.

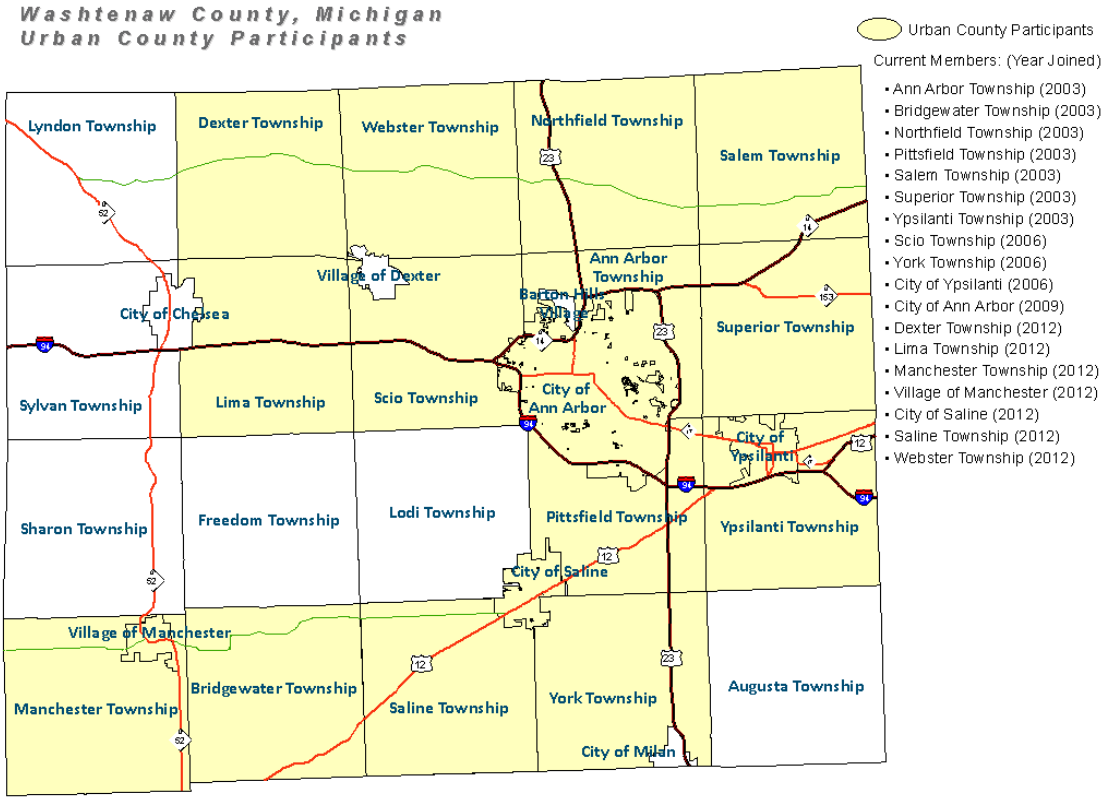
Very Low Income: Household with incomes less than fifty (50 %) percent of median income for the Ann Arbor PMSA, as determined by the U.S. Department of Housing and Urban Development.

Urban County: The Urban County is a formal collaboration between local units of government in Washtenaw County to receive federal funding from HUD for affordable housing and community development projects to serve the needs of low- and moderate-income residents. All members of the Urban County have signed cooperation agreements with Washtenaw County to administer this funding.

Urban County Executive Committee: The Urban County is governed by the Urban County Executive Committee, which is a board that is comprised of the chief elected official of each member of the Urban County and/or their designee. In partnership with the County, this board makes all decisions about the allocation of funding for the Urban County HUD funding.

Work Order: The document prepared by the Rehabilitation staff itemizing work to be done on the property to be used by the contractor through the bid submission and contract process.

APPENDIX B

MAPS

A. Urban County Jurisdictions