



# COMMUNITY DEVELOPMENT BLOCK GRANT HOUSING REHABILITATION PROGRAM

## PROGRAM GUIDELINES

The Housing Rehabilitation Program (“Rehabilitation Program” or “Program”) provides assistance to homeowners in Scottsdale through owner occupied housing rehabilitation activities. In providing assistance, we are meeting the following locally adopted goals in the use of Community Development Block Grant (“CDBG”) funds:

Housing Rehabilitation Assistance is provided through technical assistance and a deferred loan to finance a rehabilitation contract between the applicant and a private contractor. City staff are responsible to see that the City’s interests as a funding agency are met. The City staff person who is most directly involved with Rehabilitation Program projects is the Housing Rehabilitation Coordinator. Responsibility for the rehabilitation contract is between the property owner (“Owner”) and the contractor (“Contractor”) who performs the rehabilitation work.

### **Housing Rehabilitation- Program Operation**

The Housing Rehabilitation Program can provide the following types of assistance:

- Remove structural code (“Code”) violations\* in an eligible project.

\* Code violations are considered to be any structural deficiencies that fail to meet adopted building Codes of the City of Scottsdale, or Section 8 Housing Quality Standards (HQS), whichever is greater.

- Remove incipient Code violations\*\* in an eligible project.

\*\* Incipient Code violations are any structural components that appear to be near failure or might soon become a Code violation. The Rehabilitation Coordinator shall make this determination.

- Provide special devices and ramps for the elderly and disabled. These include, but are not limited to, ramps, handrails, bathroom safety grab bars, and special permanent fixtures.
- Provide cost-effective energy conservation improvements, incorporating “Green Building” principles.

## **Eligibility Standards**

The City of Scottsdale, through the Community Assistance Office, provides Housing Rehabilitation Assistance to persons who meet low- and moderate-income standards. The City utilizes standards called income eligibility guidelines or low- and moderate-income standards. The U.S. Department of Housing and Urban Development ("HUD") mandates these guidelines. They are frequently updated and reflect two income categories based on family size. One is 80% of the Phoenix SMSA median income (moderate income) and the other is 50% (low income.) Eligibility for Housing Rehabilitation Assistance or determination of ineligibility is based on where gross household incomes fall in relation to these income standards. Income qualification is required, even if the applicant is certified as disabled or elderly.

Applicants shall have owned their own home and have lived in it as their primary residence for the past year or more immediately prior to being qualified for participation in the Program. Persons, who use their home to conduct business or as rental property, in whole or in part, are ineligible to participate in the Program.

There are special requirements for City employees and elected officials and their relatives, and for non-profit rehabilitation providers and their relatives. These requirements, which relate to conflicts of interest, include making public disclosure, obtaining a ruling by the City Attorney and submitting materials for review by HUD. In all cases where an apparent conflict of interest exists, HUD will make a finding regarding the eligibility of the applicant. The loan shall not be granted unless approved by HUD.

## **Priorities**

The following two circumstances and conditions constitute the sole reasons for granting a priority to an applicant in the Housing Rehabilitation Program:

### Medical Emergencies

What if repairs are a medical emergency? If the applicant can show evidence by a doctor's written statement that a housing condition is creating a medical emergency, the homeowner may be moved up on the waiting list as a priority. At minimum, a doctor's statement shall indicate how correcting a structural condition will improve an urgent medical condition. If the benefit from structural improvement cannot be clearly demonstrated, placement ahead of others on the waiting list will not occur.

### Private Lender Participation

In order to extend the federal resources available to the City for rehabilitation and to encourage homeowner participation in the repair and maintenance of the home, the City will give a priority to income qualified applicants who present a letter from a private lender (bank, savings and loan or credit union) which indicates that they are qualified for a home improvement loan, and that a specified amount of money has been reserved for them.

## **Application Process**

Making application is a two-step process: Pre-Application and Application Certification

### **I. Pre-Application**

The City maintains a waiting list for Housing Rehabilitation Assistance. Any Scottsdale homeowner may call (480) 312-7647 and ask to receive a Housing Rehabilitation Guidelines information package. With this material the homeowner receives a Pre-Application and income questionnaire for assistance, which shall be completed and returned to the Community Assistance Office.

When an applicant calls to inquire about the program, the basic income guidelines are discussed. The program Pre-Application Packet and Guidelines are mailed. Preliminary eligibility questions are asked concerning how many members are in the family and the annual gross household income.

When the Pre-Application and income questionnaire are received, the Housing Rehabilitation Coordinator processes environmental clearance forms. The application is then placed on a first-come first-served waiting list.

The waiting list is first-come, first-served unless a priority for assistance has been established by other conditions as defined in these guidelines. No placement is made to the waiting list until the Pre-Application and income questionnaire are completed, signed and returned to the program.

If the Pre-Application indicates the applicant is over the income limits or appears to have a conflict of interest, the applicant will be notified in writing. However, the applicant's name will still be put on the waiting list and further verification will be confirmed when application reaches the top of the wait list.

As each applicant approaches the top of the list, a letter is sent to verify that they are still interested in participating in the rehabilitation of their home. The applicant shall contact the Community Assistance Office within the specified allotted amount of time to declare a continued interest in the rehabilitation program. If an applicant does not respond, their application 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 income verification interview.

## II. Application Certification

The Housing Rehabilitation Coordinator will explain the program in detail at the income verification interview. The purpose of the income verification interview is to determine if the applicants' total gross household income for the upcoming twelve months will qualify within the HUD income guidelines. At the interview, the Housing Rehabilitation Coordinator will complete an income certification worksheet for the total gross household income, including assets. Applicants shall bring the following information to the interview:

- a. Documentation on income for the last 12 months on all persons, 18 years of age and older, within the household (i.e. wages, bonuses, social security, welfare payments, alimony, pension, etc.).
- b. Deed to Property
- c. Property tax valuation information
- d. Asset information (i.e. checking and savings accounts, money market accounts, certificate of deposit, dividends from stocks and bonds, IRA, etc.)
- e. Previous years signed tax papers

The Program reserves the right to seek third party verification for income, ownership and household composition. Credit reports shall be requested and processed on each person whose property receives major rehabilitation and title reports shall be requested and processed on such property.

If IRS tax liens or tax certificates are found, this will automatically disqualify the application, unless written satisfaction of lien is presented to the Community Assistance Office. Falsification of income is grounds for disqualification and can result in a \$10,000 fine and one year in prison.

### **Lead Based Paint Abatement**

In compliance with Federal Regulations, rehabilitation projects receiving more than \$25,000 per unit require abatement of lead base paint hazards in their residences. Associated costs of abatement will be included in all rehabilitation contracts.

### **Green Building Principles**

The Housing Rehabilitation Program has adopted elements of the City of Scottsdale's Green Building program that enhance energy efficiency, indoor air quality, health and comfort, water conservation and lower operating costs.

Green building refers to those practices that promote occupant health and comfort and well being of the occupants, while seeking to minimize the use of energy, water, and other natural resources and provide a healthy, productive indoor environment. Additionally, Green Building provides greater economic benefits through reduced operation costs and increased operation and maintenance efficiencies.

Incorporating Green Building principles in the rehabilitation of homes promotes resource conservation by including design features that encourage energy efficiency and water conservation, reducing operation and maintenance costs.

An integrated design approach results in energy savings through the proper utilization of insulated doors, windows and shading devices, insulation and energy efficient heating and cooling systems.

Resource-efficient materials are designed to have minimum impact on the health of the environment and the occupants. A healthy indoor environment can be achieved through proper ventilation, such as the installation of operable windows and exhaust fans, and through the selection of non-toxic materials.

Incorporating water management strategies, such as the use of low-flow plumbing fixtures and appliances, enhances water conservation, maximized water efficiency and reduces utility costs. The Green Building elements adopted by the Program are incorporated in the Rehabilitation Standards.

### **Pre-Bid**

If the application is approved, an appointment to inspect the home is made with the Housing Rehabilitation Coordinator. The Housing Rehabilitation Coordinator inspects the home for Housing Quality Standards ("HQS") and documents the condition of the home including, but not limited to, roof, exterior/interior paint, HVAC, plumbing, electric, appliances, interior painting, flooring, and fencing, etc. Upon completion of the inspection, the Housing Rehabilitation Coordinator will identify all Code violations, incipient Code violations, cost-effective energy conservation, and special mobility needs for disabled or elderly ("Deficiencies"). The Housing Rehabilitation Coordinator will define all work needed to remedy all Deficiencies ("Scope of Work"). Where required by federal law, the City of Scottsdale will secure a lead-based paint test before the Scope of Work is completed. The cost of the lead-based paint inspection will not be included in the contract price; however, all necessary abatement and/or interim costs will be included.

The Scope of Work is a document used to itemize every item that will be included in the rehabilitation project. This document is used by Rehabilitation Coordinator to obtain bids from licensed general contractors. Neither the homeowner nor the contractor shall add to, delete from, or alter the Scope of Work in any manner without the City's approval. Both the homeowner and contractor are directed to contact the Housing Rehabilitation Coordinator for clarifications connected with the Scope of Work.

An appointment is arranged with the homeowner to review and sign the Scope of Work. Upon approval of the Scope of Work an invitation to bid, which indicates the pre-bid site inspection ("Walk-through") date and bid opening date, are included with the Scope of Work. The Walk-through, which allows general contractors to receive the Scope of Work and inspect the property, is mandatory for submittal of a bid.

Contractors that have applied to bid on Housing Rehabilitation Projects are invited to attend the Walk-through. The City does not endorse any of the contractors on the bid list; it is merely for the convenience of the homeowner. The Housing Rehabilitation Office notifies all minority contractors and an equal number of non-minority contractors of the project. A special emphasis is placed on the City's Affirmative Marketing Initiative by contacting all minority contractors on the Bidders' List.

All contractors who wish to be on the City's contractor bid list are required to submit their credentials on a yearly basis. A letter is mailed to the contractors in June requesting they submit the following: Registrar of Contractors License, City of Scottsdale Privilege Tax license, and Certificate of Insurance. The Program will not fund a contract if a contractor does not have these items. The Program reserves the right to exclude any contractor who has unresolved complaints with the Registrar of Contractors office. The homeowner is encouraged to invite his/her selection of general contractors with the understanding that they must show they are qualified contractors by submitting their credentials as stated above.

The homeowner and Housing Rehabilitation Coordinator attend the Walk-through to answer questions and if necessary, make changes through an addendum which contractors are required to obtain to complete their bids for submission to the Community Assistance Office. Contractors are required to submit their sealed bids to the Community Assistance Office on a specified date and time, approximately 10 days from the Walk-through. The contractors and the homeowner are encouraged to be present at the bid opening. Late bids, faxed bids and unsealed bids will not be opened.

The homeowner and Rehabilitation Coordinator evaluate the bids as submitted. There shall be a minimum of three (3) bids for projects over \$1,000. If three bids are not received, the job is advertised in the newspaper and re-bid.

The lowest "responsive"<sup>1</sup>, responsible contractor is awarded the project unless the homeowner opts to pay the difference between the low bidding contractor and the contractor of their choice, or if the bid is considered non-responsive. If the low bidding contractor declines the project the contract will be offered to the next lowest bidding contractor. If the homeowner chooses to pay the difference, the homeowner writes a check payable to the contractor and submits it to the Community Assistance Office. The Community Assistance Office retains the check until the first payment is made to the contractor.

In order to facilitate the timely completion of projects to be undertaken, the Housing Rehabilitation Program reserves the right to temporarily exclude any contractor from future bid notifications when three (3) or more Housing Rehabilitation projects are concurrently under contract or have been awarded to that contractor at that time. Contractors will remain on the Housing Rehabilitation Program's active list of contractors, but will not be invited to bid new projects until one (1) of its three (3) contracts are completed.

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<sup>1</sup> \*"Responsive" means that the contractor has met the contractor qualifications, that the bid has been submitted on time and includes all work, including addenda. Bids shall be sealed when submitted.

All contractors are required to provide a two-year warranty on all work performed on rehabilitation activities, as set forth by the Arizona Registrar of Contractors. The homeowner is responsible to contact the contractor for any warranty-related problems. If the homeowner does not feel that the contractor has lived up to warrantee obligations, their appeal is to the Arizona Registrar of Contractors and not to the City of Scottsdale.

### **Deferred Loan Payback**

Housing Rehabilitation assistance is offered in the form of a Deferred Loan, which is made to an eligible low/moderate income household. The maximum loan amount is the lesser of \$35,000 or the amount needed to bring the house to the property rehabilitation standards. The repair costs to remove all Code violations shall not exceed 50% of the structure's estimated "as is" value. A security instrument (lien) will be recorded against the property.

- If the property is sold before 36 months from the date of contract completion, repayment of the total cost of the construction contract is required.
- After the date of the third anniversary of the date of contract completion, 50% of the rehabilitation loan will be forgiven. The lien will continue to secure the remaining 50% of the loan until it is repaid at the sale or transfer of the property or earlier, if a refinance will take equity from the property, or as a condition of receiving a future rehabilitation loan from the City.
- If the applicant for the Housing Rehabilitation Loan provides at least 50% of the cost of the rehabilitation contract from private resources, then 100% of the City's rehabilitation loan will be forgiven on the third anniversary of the completion of the job.

### **The Rehabilitation Contract**

A contract cannot be executed until the Housing Rehabilitation Loan has been granted and a lien has been placed on the property. The Rehabilitation Coordinator shall ensure that the homeowner and contractor understand the conditions and obligations of the Housing Rehabilitation Contract. A contract is then executed between the homeowner and the contractor. The City of Scottsdale is not a party to the contract.

The Notice to Proceed is processed and signed by the homeowner after a contract is executed. Work shall begin within seven days of the start date on the Notice to Proceed and completed within the specified amount of time. The Housing Rehabilitation Coordinator will perform, at minimum, two progress inspections.

The contractor may request a draw when the work is at least 50% completed. This draw will be subject to a 10% retention, which will be paid in the final payment to the contractor upon completion of the job. Payments will be made payable to the contractor after signatures are obtained from the homeowner, contractor, Rehabilitation Coordinator and Community Assistance Manager on a payment release form. If the homeowner has paid the difference for the contractor of their choice, the homeowner's check is submitted to the contractor and receipt City of Scottsdale's Housing Rehabilitation Program – Guidelines

of payment is added to file. The check from the City of Scottsdale will be for the difference between the amount of the draw and the amount of the homeowner's check.

A written Change Order shall document any changes to the contract. Only those changes necessary to correct unforeseen Code violations can be paid for with Federal funds. The homeowner, with unsubsidized funds, shall pay all other changes. If additional funds are available to the Owner as a part of the Housing Rehabilitation Loan Program through a Change Order, the Owner must execute a Second Promissory Note for any additional funds required by the Change Order. The Contractor shall not proceed to do the Work under the approved Change Order until the Owner has executed the Second Promissory Note and the Housing Rehabilitation Coordinator has authorized the Contractor to proceed.

The Housing Rehabilitation Coordinator will process the Change Order after the contractor submits the document with both Contractor and Owner's signature. The Change Order also requires the signatures of both the Housing Rehabilitation Coordinator and the Community Assistance Manager.

Change Orders are also required for time extensions. The Change Order is not effective until signed by all of the parties indicated in the previous paragraph. This means that any work done by the contractor or arrangements made by a homeowner prior to executing a written change are unauthorized and non-binding. Regardless of the situation, the only protection for both the homeowner and contractor is to have all changes executed in writing.

### **Program Checks**

All of the following documents shall be completed at various levels of authority including the Rehabilitation Coordinator and Community Assistance Manager, homeowner, contractor and verification authorities (i.e., tax, ownership, homeowner's bank, homeowner's employer).

The homeowner's file will contain at minimum the following:

- File checklist
- Contact sheet
- Applicant request for assistance (Pre-Application)
- Environmental Rehabilitation Review
- Post application correspondence
- All eligibility documentation (e.g. tax returns, ownership, Social Security, deed)
- Computation of income and eligibility
- Application Certification of Information
- Release of Information
- Financial Privacy Notice
- Applicant-signed Bidding Procedures document
- Lead Based Paint Document
- Promissory Note
- Deed of Trust
- Commitment for Title Insurance
- Housing Inspection form

Priced Scope of Work  
Owner/Contractor Contract  
Notice to Proceed  
Change Orders (if applicable)  
Interim and/or Final Payment Requests  
Certificate of Completion  
Photographs  
Warranty Notes  
Miscellaneous

### **Binding Arbitration**

In the case of any controversy among any of the parties to the contract concerning, but not limited to, the validity, construction, or interpretation of the contract, the parties shall refer such dispute in writing to an arbitrator (“Arbitrator”) to be jointly agreed upon, or, failing an agreement, to the American Arbitration Association for referral to a single Arbitrator. The Arbitrator shall promptly determine such dispute and deliver a written decision to each party by personal delivery or certified mail. The City at its sole option may elect to pay the initial arbitration fee. The parties as determined by the Arbitrator shall pay all costs assigned by the Arbitrator. The decision of the Arbitrator shall be final and binding on all parties.

### **Completion and Payment Process**

When the contractor indicates completion and the homeowner concurs, the Rehabilitation Coordinator and another Community Assistance Office staff member will perform a final inspection with the homeowner and the contractor. This inspection is to ensure that the quality of the work provides adequate protection for the City’s security interest in the property. The homeowner and the contractor will sign the Certificate of Completion, which gives authorization to the city to release the balance of the funds to the contractor. When the invoice is received from the General Contractor, the project file is reviewed by the Rehabilitation Coordinator and the Community Assistance Manager for conformance with program standards and proper procedures.

At minimum, the request for payment will include the contractor invoice, the Housing Rehabilitation Program’s request for payment and the Certificate of Completion. The contractor will initial that all warranties have been given to the homeowner. Final payment will be processed and made payable to the contracted General Contractor.

All persons receiving assistance under this program are ineligible to be placed back on the program waiting list for 36 months from the date of contract completion and the promissory note has been completely satisfied.

**Date Adopted:**        **March 3, 1997**  
**Date Amended:**     **December 1, 2009**

*It is the policy of the City of Scottsdale not to discriminate against any person on the basis of race, color, religion, age, sex, handicap, familial status or national origin. Persons with special needs for assistance should contact 480/312-7647 or TDD 480/312-7411.*

*Es la norma de Ciudad de Scottsdale de no discriminar contra ninguna persona a base de la raza, el color, la religion, la edad, es sexo, la desventaja, la posicion familiar ni el origin nacional. Las persons con necesidades especiales para la ayuda en la traduccion o alojamientos deben avisar a 480/312-7647 o TDD 480/312-7411.*