

TOWN OF PRESCOTT VALLEY
FY 2012
OWNER OCCUPIED HOUSING REHABILITATION
PROGRAM GUIDELINES

1. OVERALL GOAL

The Town of Prescott Valley intends to apply for State Housing Funds from the Arizona Department of Housing to assist a minimum of ten (10) owner-occupied, low-to-moderate income homeowner applicants within the Town limits with Housing Rehabilitation and Manufactured Housing Replacement Services. Funding sources are HOME and Housing Trust Fund.

The Services include repair and rehabilitation expenditures under these Guidelines between \$2,500.00 and \$25,000.00 per residence, and mobile/modular home replacements up to \$45,000 per unit. Said expenditures are in the nature of a loan with pro-rata deferred payment by Applicants over either a five (5) or ten (10) year period.

Services include rehabilitation activities with a priority for removal of hazards that threaten the health and safety of occupants. Services also include some cosmetic work associated with rehabilitation up to ten percent (10%) of total expenditures, including painting or replacement of flooring, when directly related to and physically attached to the home. General property improvements such as hauling away disabled vehicles or repairing fences may also be included to upgrade physical appearance of the residence and the neighborhood as a whole, but shall not exceed 10% of the total repairs. No luxury items will be considered, (i.e. fireplaces, swimming pools, etc.), nor will additions to family rooms, recreation rooms, and the like be allowed. Bedroom or bathroom additions may be considered based on issues such as over-crowding and disability accessibility.

All Services must meet the State of Arizona's Rehabilitation Standards as well as other applicable state and local codes. In particular, the management of hazardous materials (lead based paint removal, etc.) will comply with current Housing and Urban Development (HUD) standards.

A. Eligible Applicants, Priorities for Assistance

- 1) Residency
 - a) Eligible Applicants must be residents of the Town for the purpose of election laws
 - b) Median income may not exceed eighty percent (80%) of the median household income as determined by HUD
- 2) Ownership
 - a) Applicants must own and reside in the residential structure which is determined to be in need of Services in order for the Applicants and other occupants to reside safely and healthfully.

B. Applicant Screening

- 1) Applicants with the highest ranking are served first. Priority ranking is determined for:
 - a) Those with the lowest income;
 - b) Persons who are elderly;
 - c) Persons who are disabled;
 - d) Guardians with custody of children under the age of eighteen (18);
 - e) Residential structures that represent serious and immediate health/safety violations.
- 2) Projects may be taken out of ranked order if Program Manager determines that extenuating circumstances exist or residents are in immediate danger from health/safety issues in their home.

C. Waiting List

- 1) In the event that the number of applicants exceeds funds available, Applicants will be placed on a waiting list in accordance with the priority ranking established under these Guidelines.

D. Eligible Property Types

- 1) Services are limited to the following types of residential property:
 - a) Single-family constructed or factory-built buildings; and
 - b) Single-family manufactured homes, including mobile homes, only if the unit upon completion will:
 - 1) be situated on a permanent certified foundation and connected to permanent utility hook-ups;
 - 2) be located on land that is held in fee-simple title;
 - 3) meet the construction standards of 24 CFR 3280 if built after June 15, 1976.
- 2) Ineligible properties include but are not limited to:
 - a) Rental properties, including those occupied by family members or those not paying cash rent
 - b) Properties that are delinquent in mortgage payments at the time of application or within six (6) months of rehabilitation services
 - c) Properties not occupied as the primary residence of the household

E. Eligible Forms of Home Ownership

Approved forms of home ownership are:

1. Verified fee simple title to the property.

F. Standard for Rehabilitation

- 1) As set forth above, all Services under these Guidelines will meet the State of Arizona's Rehabilitation Standards and applicable state and local building codes. The Town has adopted the 2006 International Building Code. The Town Code also includes various health, sanitation, and public works requirements. Contractors selected to provide Services will be required to obtain necessary permits.
- 2) Repairs made under the auspices of this program can also include energy efficiency improvements and/or retrofits as follows:
 - a) Substandard windows and doors
 - b) Replacement of aging appliances with more efficient appliances
 - c) Additional insulation
 - d) Replacement of inefficient mechanical systems such as furnaces, evaporative coolers, and water heaters.
 - e) Energy efficiency measures taken must fit within the budgetary guidelines for the program.
- 3) Replacement of mobile homes or modular housing units will be permitted only when the following conditions can be met:
 - a) The low qualified bid for repair and rehabilitation is equal to or greater than the value of the home,
 - b) The Building Official finds the unit to be in violation of current building and other adopted codes and further deems the dwelling unit to present significant health and safety issues for the inhabitants and the community
 - c) The Building Official determines that replacement of the mobile or modular home is the only means to abate the health and safety issues present

G. Lead Based Paint

Applicants will be provided a copy of Protect Your Family From Lead in Your Home, and The Town's Building Safety Rehabilitation Specialist will respond to any questions or concerns from Applicants. Lead-based paint testing and abatement will be considered on a case-by-case basis, depending on the status of the household, the condition of the paint, and the measures to be taken, in compliance with current HUD standards.

H. Application Process

1) General Requirements

The Town of Prescott Valley will conduct the initial application review with Applicants, the intake of applications, and the screening of Applicants to determine eligibility. The Town of Prescott Valley will notify Applicants as to its determination of eligibility. Applicants may be asked to supply further information and documentation. The Town of Prescott Valley will assist Applicants to the extent possible, but Applicants remain responsible for gathering and timely submitting all information needed to complete an application. Applicants will be assigned a ranking only when the completed application and all documentation is received by the assigned deadline. If requested information is not returned by the deadline, the application will be placed at the bottom of the waiting list.

Required documentation includes the following (which must be current within the last six (6) months):

- Proof of all household income;
- Social Security cards for all household members;
- Proof of disability;
- Proof of property ownership;
- Proof that ad Valorem property taxes are current; and
- Proof of homeowners insurance (or proof that such will be obtained by the time rehabilitation work begins).
- Verification that mortgage payments have been current within last 6 months.

Applicants will be required to sign a release of information as part of the application (although the Town will attempt to maintain confidentiality of information to the extent permitted by law).

2) Bankruptcy and Foreclosure

- a) Bankruptcy: Households are ineligible for a period of two (2) years after any member of the household declares bankruptcy.
- b) Foreclosure: Households that have had a mortgage or deed of trust foreclosed are ineligible for services for three (3) years after the date of foreclosure

3) Reverse Mortgages

- a) Monthly payments from a reverse mortgage are counted as regular income.
- b) If funds are exhausted, the full amount of the lien must be counted against the FHA 203(b) lending limits.
- c) If no monthly payments are received, the amount of the lien is not counted against the FHA 203(b) lending limits.
- d) If a lump sum has been drawn down but no monthly payments are received, only the lump sum amount plus interest to date is counted against the FHA 203 (b) lending limits.

I. Housing/Homeownership Maintenance & Counseling Services

As a condition of receiving Services under these Guidelines, successful Applicants will be required to attend a counseling session to cover the rehabilitation processes and requirements, including information about lead-based paint remediation, on-going home maintenance, and the deferred-loan aspects of the program.

Those receiving services will also undergo homeownership training, the purpose of which is to educate the homeowner about the importance of timely mortgage and tax payments, adequate insurance, and aspects of household budgeting.

J. Application Verification

1) The Town of Prescott Valley will verify income according to the 24 CFR Part 5 (Section 8) income determination guidelines described in the Technical Guide for Determining Income and Allowances for the HOME Program.

2) The Town of Prescott Valley will certify that Applicants own the property involved and that they are using the property as their principle and only residence. A limited title report will be obtained for each application through the services of a title company designated for the duration of the grant. The Town of Prescott Valley will ensure that properties are free from liens that unduly restrict the marketable ownership interest and that Applicants have the ability to pay their mortgage (if applicable); carry homeowners insurance and flood insurance (if applicable); and are current with applicable taxes and special assessments.

K. Complaints/Appeals

Applicants who have a complaint with regard to The Town of Prescott Valley's priority ranking under these Guidelines may appeal the same. If the complaint cannot be resolved informally, the formal procedure outlined below may be followed. All efforts will be made to resolve complaints at the lowest possible level. All complaints will be documented.

L. Complaint Procedure

Applicants will be required to sign a Letter of Acknowledgement showing that they have received a copy of this Complaint Procedure and understand the process. If Applicants require assistance in processing a complaint, they may contact the Town at (928) 759-3050 for assistance.

1. Informal Complaint

- a. An informal, verbal complaint can be given to The Town of Prescott Valley Program Administrator.
- b. The Town of Prescott Valley Program Administrator will review the complaint and attempt to resolve the complaint through negotiation.
- c. The Applicant will be notified of the proposed resolution within 5 working days of receipt of the complaint.
- d. If the proposed resolution is not satisfactory to the Applicant, a formal complaint may be filed.

2. Formal Complaint

- a. Formal complaints must be made in writing and delivered to the Town's Program Administrator by personal delivery or certified mail.
- b. The Town's Program Administrator shall review the complaint and attempt to resolve the complaint through negotiation.
- c. The Town's Program Administrator will notify the Applicant, in writing, of the proposed resolution within 10 working days of the receipt of the complaint.
- d. If the resolution proposed by the Town's Program Administrator is not satisfactory to the Applicant, an appeal can be made. Appeals must be in writing and directed to the Community Development Director of the Town of Prescott Valley. Appeals must be filed within five (5) working days of receipt of the Town Program Administrator's decision.
- e. The Town's Community Development Director will review the complaint as appropriate. Review of the complaint may include an informal hearing of the parties involved. The Town's Community Development Director will make a decision regarding the complaint, in writing, within thirty (30) days of receipt of the appeal.
- f. The Town Community Development Director's decision shall be final.

2. PROJECT WRITE-UP AND CONTRACTOR SELECTION

A. Inspection/Work Write-Up/Cost Estimates

When an Applicant has been declared eligible and is at the top of the priority list, The Town's Project Manager will schedule an initial inspection to explain the project, and the Building Safety Rehabilitation Specialist inspect the property using the 24 CFR part 5 (Section 8) Inspection Checklist or an equivalent checklist based on codes and current practices adopted and in effect at the time of inspection.

The Town's Program Manager and Building Safety Specialist will determine the scope of

needed rehabilitation in a work write-up, which will be in conformance with the General Specifications Handbook. Any special measures not covered under the General Specifications Handbook shall be explained in the write-up in detail. The write-up will also include cost estimates.

Cost estimates are based on:

- Measures required in the project;
- Cost of materials;
- Estimated number of labor hours and cost of labor;
- Cost of subcontractors/installers; and
- Past experience with similar rehabilitation work.

B. Minority/Women/Disadvantaged Owned Businesses

As part of the contracting process, The Town will attempt to identify Minority, Women, and/or Disadvantaged Owned contractors to provide rehabilitation services. Any public notices involved in the contracting process will state that Minority, Women, and/or Disadvantaged Owned contractors are encouraged to submit bids.

C. Qualified Contractors

- 1) The Town's Program Manager will advertise all projects in a newspaper of general circulation, in accordance with Town Code 3.04.
- 2) Contractors who desire to bid the rehabilitation work must participate in a mandatory walk-through conducted by the Program Manager and/or Building Safety Rehabilitation Specialist. Changes to project specifications may be made at this time.
- 3) Applicants may not perform said work on their own property.
- 4) Appropriate Town staff will arrange for verification that responding contractors and subcontractors are:
 - a) Not on the HUD debarment list
 - b) Are licensed and bonded with the Arizona Registrar of Contractors in appropriate trades
 - c) Insured for liability and workman's compensation
 - d) Hold a current Town business license prior to commencement of construction
- 5) Bid bond may be waived by the Project Manager.

D. Contractor Procurement

- 1) Bids
 - a) An effort will be made to receive at least three (3) bids on each project.
 - b) The Program Manager may approve a project where fewer than 3 bids have been received.
 - c) All bids will be delivered to the designated address by the time and date specified in the invitation to bid. Bids must be sealed and will be opened publicly at the date and time specified. Late bids will be returned unopened.

E. Contractor Selection

- 1) The applicant may choose the contractor he/she prefers. Should the applicant choose a bid higher than the qualified low bid, the homeowner must pay the difference between the low bid and the accepted bid to the contractor in full prior to the issuance of a Notice To Proceed. The applicant must provide a receipt to the Project Manager for that amount as evidence of payment prior to the issuance of a Notice to Proceed.
- 2) The Program Manager may reject any bid if all or part of the bid is deemed to be unreasonable or impractical or likely to result in substandard work.

F. Method of Determining After Rehab Value

- 1) Before a Notice to Proceed is issued, the Program Manager will calculate an “After Rehab Value” by adding the value of the rehabilitation work to the current assessed value of the property, times the standard multiplier, and comparing the amount to the FHA 203(b) insuring limits for single-family properties.
- 2) Work will not be performed on property where the value of the property will be greater than the FHA insuring limits. This information will be provided on an appropriate form for each file.

3. CONSTRUCTION

A. Contracts and Notice to Proceed

- 1) Upon selection of a contractor, a construction contract will be entered into between the Applicant and the successful bidder (Contractor). Said contract shall be in a standard form which identifies the role and responsibility of the Town and as a third-party.
- 2) A meeting at the property will be arranged by the Program Manager in order for the Applicant and the Contractor to review the contract documents. The Program Manager will explain:
 - a) The contract and the responsibilities of the parties
 - b) The extent of the rehabilitation work to be done
 - c) Te schedule for the rehabilitation work
 - d) the schedule for inspections
 - e) persons to be notified if there are problems,
 - f) special contract conditions, and the
 - g) complaint procedure.
 - h) all persons present will be required to sign the Letter of Acknowledgement which will include any stipulations or special conditions as discussed at the meeting.
- 3) When agreement is reached and the contract is signed by all parties and upon receipt of the signed and notarized Deed of Trust and Promissory Note, the Project Manager will issue a “Notice to Proceed”.

B. Inspection/Monitoring of Work

The Building Safety Rehabilitation Specialist will arrange for regular inspections to assure quality and timeliness of the rehabilitation work and will also perform inspections associated with issued building permits.

C. Payments to Contractors and Change Orders

- 1) Contractors will be paid in accordance with the payment schedule in the contract package. To encourage timely completion of projects, payment will be made upon completion.
- 2) In certain circumstances, a 50% payment can be issued at 50% completion. The Building Safety Rehabilitation Specialist must certify that the project is 50% complete, and Project Manager must approve payment prior to issuance of funds.
- 3) Contractors may request change orders only for problems that have arisen from rehabilitation work included in the bid package and cost proposal that were unforeseeable or overlooked at the time of the walk-through. The Program Manager with assistance from the Building Safety Rehabilitation Specialist must approve any change order along with the Applicant prior to the commencement of any work not set forth in the bid specs and/or scope of work.

D. Final Inspection

- 1) The Program Manager will arrange for a final inspection upon completion of the rehabilitation work. Any building permits must be finalized before a final inspection is conducted. During the final inspection, the Program Manager and Building Safety Rehabilitation Specialist must determine that rehabilitation work has been completed in accordance with the work write-up and the cost proposal in order to approve final payment to the contractor.
- 2) Payments to contractors may be withheld pending satisfaction of any problems or deficiencies identified during the final inspection.

4. RECORDS

A. Files

The Town of Prescott Valley will create, collect and maintain all files for each application. Original files will be organized per the file checklist and retained by the Town for permanent storage and use once the applicant approval process is complete. The Town of Prescott Valley will keep back-up files for reference and contractual billing purposes.

B. Recordation of Required Liens

1) Administration of Liens

- a) The Project Manager or Administrative Specialist will file liens on projects. Lien amounts will be determined by the amount of Funds invested in a property.
- b) Liens will be secured by Promissory Note and Deed of Trust as developed from time to time by the Administrative Specialist or Project Manager.
- c) Recorded documents will be returned to the Town and copies of said documents will be given to the Applicant.

2) The terms of the lien are as follows:

- a) If the Applicant moves and does not use the property as his/her principal residence (this includes renting the property to any other person), the Program Manager may arrange for the prorated repayment amount as set forth below to be due and payable by the Applicant within 30 days of notice. This determination shall be at the discretion of the Program Manager based on potential hardships on a case-by-case basis.
- b) If title to the property changes, the Program Manager may arrange for a pro-rata share of the repayment amount to be paid back for return to the Department. This determination shall be at the discretion of Program Manager based on potential hardship on a case-by-case basis.
- c) If the homeowner is not in compliance with any other stipulation as set forth in the Deed of Trust and/or Promissory Note, the Program Manager may arrange for the prorated repayment amount as set forth below to be due and payable by the Applicant within 30 days of notice. This determination shall be at the discretion of the Program Manager based on potential hardships on a case-by-case basis.
- d) When the amount of Funds invested is between \$1,000.00 and \$14,999.99, the lien will be pro-rated over 5 years, as follows:

Through Year 1	- Loan payback	20%	Balance	80%
Through Year 2	- Loan payback	40%	Balance	60%
Through Year 3	- Loan payback	60%	Balance	40%
Through Year 4	- Loan payback	80%	Balance	20%
Through Year 5	- Loan payback	100%	Balance	0%

- e) When the amount of Funds invested is between \$15,000.0 to \$25,000.00 in repair and/or rehabilitation expenses or in the event that a mobile/modular unit is replaced, the lien will be pro-rated over 10 years, as follows:

Through Year 1	- Loan payback	10%	Balance	90%
Through Year 2	- Loan payback	20%	Balance	80%

Through Year 3	- Loan payback	30%	Balance	70%
Through Year 4	- Loan payback	40%	Balance	60%
Through Year 5	- Loan payback	50%	Balance	50%
Through Year 6	- Loan payback	60%	Balance	40%
Through Year 7	- Loan payback	70%	Balance	30%
Through Year 8	- Loan payback	80%	Balance	20%
Through Year 9	- Loan payback	90%	Balance	10%
Through Year 10	- Loan payback	100%	Balance	0%

C. Refinancing of Existing Debt or Home Equity Loans

Refinancing of existing debt or home equity loans after completion of rehabilitation work (and prior to the expiration of the lien period) may only result in subordination of this lien if the following conditions are met:

- 1) The Applicant does not receive cash as a result of the refinancing or home equity loan;
- 2) The resulting mortgage payment is not greater than the current monthly mortgage payment; and
- 3) The term of the existing debt does not change.

D. Loan Servicing/Lien Release Procedures

- 1) Completed lien documents will be maintained in Applicant files in the Community Development Department
- 2) When a lien becomes due and payable as set forth in the contract and in accordance with the repayment schedule in Section 4 B 2 (d) of these guidelines, the balance must amount must be returned to the Department of Housing.
- 3) Once the lien period has expired, the Applicant may request in writing that the Program Manager issue a lien release for the property. In the event of such a request, the Program Manager will record the necessary release within sixty (60) days.

E. Program Income

Program income is not applicable to this particular program. Any Funds that are recaptured from Applicants who were required to repay payments are not considered Program income and must be returned to the Arizona Department of Housing.

F. Accounting Procedures

All accounting reports are available for monitoring/auditing purposes through the Town's Finance Department and the Community Development Department. All grant funds are included in the Town's annual audit. Audits are submitted annually to the funding source.

5. AFFIRMATIVE MARKETING

The Project Manager will be responsible for affirmative marketing of this program. The marketing plan shall include (but not necessarily be limited to) the following:

- Press releases
- Notices posted in target neighborhoods
- Announcements at Neighborhood Block Watch meetings
- Other appropriate marketing methods

6. ADMINISTRATION

A. Coordination

Program coordination and day to day project administration will be overseen by the Town. The Town of Prescott Valley Program will perform applicant qualification and education.



B. Exceptions to the Maximum Grant Amounts

Exceptions to the payment ranges set forth above will be considered on a case-basis and must be deemed

- 1) Unforeseeable at the time of the mandatory pre-bid walk-through and
- 2) Constitute a life/safety hazard, which in the opinion of the Building Official,

cannot be abated by any other means, and failure to repair would jeopardize the health and safety of the homeowner and the homeowner's family.

- 3) The Department Manager must approve the exception to the Maximum Grant Amount and approval from the Arizona Department of Housing must be granted prior to the commencement of work.

C. Disability Accessibility

The Program Manager will arrange for interviews to be performed in Applicants' residences, if necessary. A TDD number for arranging interviews will be included in all advertisements. Hearing-impaired Applicants have the option of communication through a signing person or by writing.

D. Non-English Speaking Persons

The Program Manager will arrange for the services of an interpreter to assist Applicants who speak a language other than English. In making that determination, the Program Manager will be guided by whether Applicants appear to have a full understanding of the program.

E. Affirmatively Furthering Fair Housing

The Town does not discriminate on the basis of race, color, religion, sex, national origin, familial status, or disability. The Town shall notify the public by displaying Fair Housing posters and using the Fair Housing logo in printed materials for the program.

F. Temporary Relocation Plan

Upon occasion, owners may be temporarily displaced while construction is occurring. The Project Manager will plan and coordinate each project so that the displacement is no longer than necessary. Provisions will be included in the Contractor's construction contract to encourage timely completion and to require compensation if deadlines are not met.

- 1) Applicants will be notified that Temporary Relocation Assistance is available and the maximum amounts of such assistance.
- 2) Applicants will also be notified that relocation assistance will reduce the amount of rehabilitation work that can be performed on their property.
- 3) Applicants may secure other temporary lodging that doesn't require full assistance.
- 4) Any motel arrangements will be the responsibility of Applicants, in which case Applicants must submit a copy of the signed agreement to the Program Manager who will pay the motel directly for either the weeks lodging cost or the maximum lodging amount (whichever is less).
- 5) Applicants are responsible for any additional costs (i.e. catering, dry cleaning, etc.). If the dislocation is less than one (1) week, only the actual relocation days will be

covered. If a stay is for a portion of a day, per diem will be calculated as follows:

- Breakfast midnight until 11:00 a.m. \$ 7.00;
- Lunch 11:00 a.m. to 3:00 p.m. \$10.00; and
- Dinner 3:00 p.m. to midnight \$15.00 .

6) Maximum Amounts

- Lodging \$ 75/night/two beds; and
- Per Diem \$26/day/person.

- 6) Applicants will not be entitled to reimbursement for any additional travel costs.
- 7) For this purpose, “persons” are a permanent member of the household. The Program Manager shall make the final determination of the number and identify permanent household members.
- 8) Pets: Applicants must obtain at least two (2) quotes of per-day costs from local pet boarding facilities. Applicants may choose where pets will be placed; however, payment will only be in the amount of the lowest rate. Applicants will be responsible for any difference in cost.
- 9) The Program Manager may negotiate any lower amount that appears reasonable for relocation.
- 10) Applicants are responsible for packing and moving their personal goods. Variations from this requirement may be approved by Program Manager in order to ensure reasonable accommodation and equal program access.

8. CONFLICT OF INTEREST

No employee, agent, consultant, officer, elected officer or appointed official of the Town (including those who held such a position within 1 year) involved in any way with or having access to information related to the program may be an Applicant under the program or in any way receive a pecuniary benefit under the program.

9. APPENDIX : The following documents may be used as reference for further interpretation of the Housing Rehabilitation Guidelines:

- A) Technical Guide for Determining Income and Allowances for the HOME program
- B) HUD Occupancy Handbook
- C) HUD Rehabilitation Guidelines

