

City of Underwood

- TIF -

Housing Rehabilitation Program

A D M I N I S T R A T I V E P L A N

**Policies and Procedures for
Administration and Management**

Revised July 2004

TABLE OF CONTENTS

Resolution of plan adoption

<u>Chapter</u>	<u>Page</u>
1.0 Goals and Objectives	1
2.0 Definitions	2
3.0 Program Scope	3
3.1 Eligible Expenditures.....	3
3.2 Rehabilitation Standards.....	3
4.0 Eligibility Requirements	4
4.1 Applicant Requirements	4
4.2 Property Requirements	4
5.0 Form of Assistance	7
6.0 Maximum Amount of Program Assistance.....	9
7.0 Program Mechanics	10
7.1 Marketing The Program.....	10
7.2 Applicant Selection Process.....	11
7.3 Applicant Eligibility Determination and Verification Process.....	12
7.4 Homeowner Contribution	13
7.5 Initial Property Inspection	13
7.6 Work Write-up (Project Specifications)	14
7.7 Cost Estimate	14
7.8 Infeasible Structures	14
7.9 Level of Benefit / Financial Commitment	15
7.10 (Section Deleted)	15
7.11 Contractor Requirements	15
7.12 Contractor Procurement	15
7.13 Contract Extension.....	16
7.14 Pre-Construction Conference.....	16
7.15 Construction Supervision.....	16
7.16 Change Orders	17
7.17 Contractor Payment Procedures.....	17
7.18 Project Completion / Acceptance	18
8.0 Program Administration.....	19
9.0 Grievance and Dispute Resolution	21
10.0 Appendices.....	22

1.0 Goals and Objectives

This plan generally defines the policies and procedures for the City of Underwood's administration of the investment of TIF funds into privately owned residential property within the city's local jurisdiction. This plan is intended as a general guide for the equal, equitable and fair treatment of the private citizens involved with the respective programs, and the establishment of an administrative process to:

- Preserve and/or stabilize the city's housing stock that is affordable to low-and-moderate-income persons;
- Acknowledge that the investment of TIF funds into privately owned residential housing is in the public interest because it:
 - [1] Eliminates influences of neighborhood blight, and generally protect the health and safety of our city.
 - [2] Improves the general aesthetics and attractiveness of the city's housing stock.
 - [3] Assists in the promotion and attraction of economic and city development opportunities.
 - [4] Provides for and promotes safe, decent and sanitary housing opportunities for citizens consistent with local laws and ordinances of land use and city development.
 - [5] Preserves and promotes the tax base of our city and the infrastructure to which it depends.

This plan may be revised, amended or modified from time-to-time. Such revisions shall be effective only after local government review and affirmative majority vote, or at such other specific date as indicated in the revision, amendment or modification.

2.0 Definitions

Annual (Gross) Household Income: The definition of annual (gross) household income, as used for the city's owner-occupied rehabilitation program, is IRS Form 1040 Adjusted Gross Income. Annual (gross) household income is used in the determination of income eligibility. (Refer to Section 7.3 for more detail on how an applicant's annual (gross) household income is used in the city's owner-occupied rehabilitation program).

City: Means the City of Underwood.

Household: Household means one or more persons occupying a housing unit.

Housing Expenses: Housing expenses includes mortgage principal and interest payments, real property taxes, property insurance, and average utilities. (Refer to Section 4.2.d. for more detail regarding utilities).

HUD: The acronym for the Department of Housing and Urban Development.

Median Household Income: Median household income means the area median household income established annually by HUD, by county, and based on household size.

Program Funds: Program funds, as used in this document, means TIF funds.

Rehabilitation Standards: Rehabilitation standards for the purpose of the city's owner-occupied rehabilitation program are Iowa's Minimum Housing Rehabilitation Standards.

TIF: The acronym for Tax Increment Financing.

3.0 Program Scope

3.1 Eligible Expenditures

Program funds are intended to be used to cover the cost of construction (labor and materials) and the administrative (program implementation) costs associated with the rehabilitation of residential dwellings within the city that meet the eligibility requirements detailed in Section 4.0.

Construction costs are considered eligible expenditures where the net result of such expenditures is the provision of "safe, decent and sanitary" housing that conforms to the rehabilitation standards referenced in Section 3.2. All construction costs (labor and materials) are expected to be good quality and reasonably priced.

3.2 Rehabilitation Standards

Upon completion, all dwellings financed entirely, or partially, with the city program funds must conform to Iowa's Minimum Housing Rehabilitation Standards. Iowa's Minimum Housing Rehabilitation Standards apply to the dwelling and the property as a whole on which the dwelling is located. (Refer to Appendix 1 for "Iowa's Minimum Housing Rehabilitation Standards").

4.0 Eligibility Requirements

4.1 Applicant Requirements

4.1.a. Owner-Occupied

In order for an applicant to be eligible for program assistance, the applicant must occupy the property to be assisted as their principal place of residence and must own the property (i.e., be the owner of record).

Ownership means:

- Holding fee simple title to the property; or
- Maintaining a 99-year leasehold interest in the property

4.1.b. Tenure

In addition to the ownership and occupancy requirements detailed above in Section 4.1.a., an applicant must have owned (i.e., must have been the owner of record) and resided in the property to be assisted for at least one (1) year prior to the date of their application for assistance to the city for program funds, in order to be eligible for program assistance.

4.1.c. Income Eligible

In order for an applicant to be eligible for program assistance, the applicant must also be income eligible. Specifically, the applicant must have an annual (gross) household income that does not exceed 80% of the Area Median Household Income (MHI) for Pottawattamie County as defined by HUD. The procedure for determining that an applicant meets the income eligibility requirement is detailed in Section 7.3.

4.2 Property Requirements

4.2.a. Location of Property

In order to be eligible for program assistance, the assisted property must be located within the corporate city limits of the City of Underwood.

Properties located within a 100-year floodplain will not be eligible for assistance.

4.2.b. Mortgage Payments

In order to be eligible for program assistance, the assisted property owner must be current with regard to their mortgage payments.

4.2.c. Property Taxes

In order to be eligible for program assistance, the assisted property owner must be current with regard to payment of their real estate property tax liability.

4.2.d. Utilities

In order to be eligible for program assistance, the assisted property owner must be current with regard to their utility payments associated with that property. Utilities covered under this requirement are limited to water, sanitary sewer, gas, electric, and solid waste disposal.

4.2.e. Property Insurance

In order to be eligible for program assistance, the assisted property must be covered by property insurance (homeowner's hazard and liability insurance) in an amount equal to, or greater than, the current assessed value of the property.

4.2.f. Use of the Property

In order to be eligible for program assistance, the assisted property must be wholly residential in character. Residential dwellings (including all other buildings on the property) containing businesses will not be eligible for the city's program funds unless the following criteria can be met. Properties containing businesses may be rehabilitated only where it can be clearly shown that program funds are not used to assist the business confined in or on the property. Program funds can only be used to rehabilitate the residential portion of the dwelling or property, not the business portion. Property owner funds (other than those property owner funds necessary to meet any homeowner contribution requirement) must be used to rehabilitate non-residential (business) portion of the dwelling or property.

Program files must reflect the methodology used by the city for allocating the costs between the residential portion (program fund eligible costs) and the business portion (program fund ineligible costs) of the project.

4.2.g. Condition of the Property

In order to be eligible for program assistance, the property must be free of garbage; debris; refuse; building materials (those not used for the rehabilitation project); abandoned, non-operational or junk vehicles; not be in violation of any local nuisance ordinances; etc.

The dwelling itself must be reasonably clean and sanitary; free of garbage, debris and refuse; uncluttered; and in such a state that permits reasonable access by the city's rehabilitation inspector to conduct the initial inspection of the property and to the contractor(s) working on the property owner's project.

4.2.h. Manufactured Homes

Manufactured homes may be assisted if all of the following criteria is met:

- The age of the manufactured home is 1976 or newer;
- The manufactured home is permanently affixed to a site-built, permanent foundation and has had its towing hitch and running gear (including tongues, axles, brakes, wheels, lights and any other parts of the chassis that operate only during transportation removed; and
- The manufactured home is installed on land also owned by the property owner to be assisted; and the manufactured home (dwelling and site) is taxed as real estate (real property) by the city.

4.2.i. Ability to Conform to Standards

In order to be eligible for program assistance, the dwelling (and the property as a whole) must be capable of withstanding rehabilitation. In other words, program funds may not be used unless the dwelling (and the property) can be brought into conformance with Iowa's Minimum Housing Rehabilitation Standards. (Refer to Section 7.8 for the details regarding infeasible structures).

5.0 Form of Assistance

Five Year Forgivable Loan

The form of assistance offered by the city for the owner-occupied rehabilitation program is a five (5) year receding forgivable loan. The five-year receding forgivable loan is technically a conditional grant, whereby the full amount of the five-year receding forgivable loan is completely waived (or released). The conditional part of this assistance is that the property assisted with program funds must remain the assisted property owner's principal place of residence for a five-year period following the completion and acceptance date of the rehabilitation project.

In order for the assisted property owner to receive a five-year receding forgivable loan, the property owner must sign the city's promissory note and mortgage lien to secure the full amount of the five-year receding forgivable loan. The mortgage lien will be recorded at the Pottawattamie County Courthouse following the completion of the rehabilitation project. The five-year receding forgivable loan is a zero percent (0%) or no interest loan, whereas the amount of the original recorded lien will not increase. (Refer to Appendix 2 for the "Forgivable Loan Mortgage and Forgivable Loan Promissory Note").

The term of the promissory note and mortgage lien is five years, remaining at one hundred percent (100%) of the loan amount for the first full year and decreasing twenty percent (20%) each year thereafter. The anniversary date of the promissory note and mortgage lien is the date of project completion and final acceptance. Collection of the note and mortgage lien (as may be necessary) will be accomplished according to the following schedule:

- If the rehabilitated property is sold, rented, transferred, vacated or abandoned prior to the first anniversary of the project completion and acceptance date, one-hundred percent (100%) of the note and mortgage lien becomes due.
- If the rehabilitated property is sold, rented, transferred, vacated or abandoned between the first and second anniversary dates of the project completion and acceptance date, eighty percent (80%) of the note and mortgage lien becomes due.
- If the rehabilitated property is sold, rented, transferred, vacated or abandoned between the second and third anniversary dates of the project completion and acceptance date, sixty percent (60%) of the note and mortgage lien becomes due.
- If the rehabilitated property is sold, rented, transferred, vacated or abandoned between the third and fourth anniversary dates of the project completion and acceptance date, forty percent (40%) of the note and mortgage lien becomes due.
- If the rehabilitated property is sold, rented, transferred vacated or abandoned between the fourth and fifth anniversary dates of the project completion and acceptance date, twenty percent (20%) of the note and mortgage lien becomes due.
- At the fifth anniversary date, one-hundred percent (100%) of the note and mortgage lien is forgiven. The city will release the assisted property owner's note and mortgage lien, upon written request, following completion of the five-year term.

If the assisted property becomes other than the assisted property owner's principal place of residence at any time during the five-year term (through sale, transfer, rental, or vacating or abandonment of the property), repayment of the principal amount, based on the above schedule, is immediately repayable to the city.

The city may, at its option, release the mortgage lien (and subsequent conditions of the assistance) against the assisted property when there are extenuating circumstances that would warrant or justify the city's decision to do so, regardless of the age of the forgivable loan.

The city's release of a mortgage lien would be handled on a case-by-case basis with consideration given to the individual circumstances of that assisted property owner, or their representative, seeking the release. The city will gather sufficient information necessary to support and to document the assisted property owner's inability to pay the amount owed to the city and the reason(s) for such a request. Consideration will be given to such issues as:

- The value of the property at the time of the request to release the mortgage lien and its impact on the settlement of any primary mortgage that may exist;
- Who will inherit the property (should the request to release the mortgage lien be related to the death of the property owner), including estate settlement issues; and
- Any insurance settlements.

Applicants must be given the opportunity to rescind the assistance offered due to the fact that a lien, mortgage or other security interest will be filed against their property as a result of the assistance, if accepted and executed.

Any form of assistance from the city to applicants will result in a lien, mortgage or other security interest filed against their properties. Where there are existing mortgage liens already on file against assisted properties (e.g., the applicant's primary mortgage), the city's program assistance will need to be subordinated to those existing liens, mortgages or other security interests.

6.0 Maximum Amount of Program Assistance

The maximum amount of assistance to an individual rehabilitation project from the city's program funds is \$20,000. The maximum assistance level is on the hard costs of construction (materials and labor) only, not the applicant's administrative costs necessary to complete the project. Rehabilitation costs in excess of the maximum amount of program assistance available must come from sources other than the city's program funds.

7.0 Program Mechanics

7.1 Marketing the Program

The city will market its owner-occupied rehabilitation program to potential applicants and to contractors.

7.1.a. Marketing to Applicants

Marketing to potential applicants can be accomplished in a variety of ways. The city will market its program in order to provide sufficient information about its owner-occupied rehabilitation program and to generate further interest from potential applicants.

Marketing may be conducted using any and all of the following methods:

- Newspapers of general circulation and other local publications;
- Radio;
- Public informational meetings;
- Mailings;
- Postings at strategic locations accessible to the general public (e.g., the Post Office, City Hall, grocery stores, schools, churches, the library, etc.); and by
- Personal contact to potential applicants.

Marketing to potential applicants will convey basic requirements for participation in the city's program (i.e., eligibility criteria, the forms of assistance available, information about how, where and when to apply for the assistance, and restrictions they need to be aware of). The city's marketing efforts will not discriminate in any way and will provide for equal opportunity and fair housing to all potential applicants.

7.1.b. Marketing to Contractors

Marketing to contractors is essential to the success of the Underwood owner-occupied rehabilitation program. The city must conduct a sufficient amount of marketing specifically to contractors to generate and to secure their interest in participating in the city's owner-occupied rehabilitation program.

Where there is an adequate number of contractors participating in the city's program, fair and open competition for projects is maximized and overall costs are more reasonable because of the competition inherent with a larger pool of participating contractors.

Marketing to contractors can be accomplished using the same media resources used for marketing to potential applicants. In addition to using those resources, the city may:

- Contact local homebuilders associations, construction trades organizations, unions, etc.;

- Scan local telephone books (business directories, yellow pages, etc.);
- Contact local construction materials and equipment suppliers;
- Contact local lenders active in construction financing; and

With the city's efforts to solicit and attract contractors for participation in the program, nondiscrimination, equal opportunity and fair housing issues cannot be overlooked. This may include, but not be limited to:

- The contractor's ability to make a profit;
- The contractor's location and/or proximity to the city;
- Federal, state or local requirements and restrictions that will affect them (e.g., licensing, insurance coverage, contract conditions, warranties, etc.); and
- Their ability to be paid in a timely fashion.

From the city's contractor marketing efforts, a list of potential contractors can be compiled and referenced as individual projects are undertaken. (Also refer to Sections 7.11 - 7.18 for other issues impacting participating contractors).

7.2 Applicant Selection Process

All applicants seeking assistance from the city's program funds will use the "Application for Program Assistance" form found in Appendix 3. The city, through its marketing efforts to attract potential applicants, will indicate how to access the program, any time constraints for application submission, and where completed forms need to be submitted and who will be responsible for receiving them.

The application consists of questions related to family size, annual income, and relevant expenses. Applications can be obtained from the project administrative staff or from City Hall. Completed applications must be dropped off or mailed to the return address on the application.

Every reasonable effort will be made by the administrative staff and the City to respect the privacy of the applicant. Project numbers, or other non-descriptive identifiers will be used in all publications. No public disclosure of the applicant's identity shall be done without their consultation and consent.

7.2.a. Ranking System

Applicants for program assistance will be selected according to a ranking system. The community's ranking system is based on applicant need. Need, in this instance, is defined in terms of the applicant's income and financial status (assets). Therefore, the neediest applicant's application (i.e., the highest ranked application) will be processed first, the second neediest applicant's application (i.e., second ranked application) will be processed second, and so on.

The community will hold an initial application intake period for the receipt of all applications to be ranked. This application intake period will begin on _____, and end on _____. Applications received during this time frame will be assigned a “priority status” for funding. These priority status applications will then be evaluated and rank ordered according to the application selection criteria formula described in Section 7.2.b. below.

Processing of applications will begin with the highest ranked application and continue until all program funds are depleted or until all eligible priority status applicants have been funded, whichever comes first.

Should program funds remain after all eligible priority status applicants are served, the processing of applications will proceed based on the date and time of receipt of the application for those applications submitted after the initial application intake period cut-off date. The community will continue processing additional applications received according to this first-come, first-verified basis until program funds are depleted.

7.2.b. Application Selection Criteria Formula

The application selection criteria formula is a system of assigning numerical values to the individual criterion listed below to permit the rank ordering of the applications received during the initial application intake period. The application selection criteria formula is as follows:

- INCOME

For every \$1,000 below HUD’s income limits (for the appropriate household size), points will be assigned according to the following table:

Up to \$1,000 below the income limit	2 Points
\$1,001 - \$2,000 below the income limit	3 Points
\$2,001 - \$3,000 below the income limit	4 Points
\$3,001 - \$4,000 below the income limit	5 Points
\$4,001 - \$5,000 below the income limit	6 Points
\$5,001 - \$6,000 below the income limit	7 Points
\$6,001 - \$7,000 below the income limit	8 Points
\$7,001 - \$8,000 below the income limit	9 Points
\$8,001 - \$9,000 below the income limit	10 Points
\$9,001 - \$10,000 below the income limit	11 Points
\$10,001 - \$11,000 below the income limit	12 Points
\$11,001 - \$12,000 below the income limit	13 Points
\$12,001 - \$13,000 below the income limit	14 Points
Over \$13,001 below the income limit	15 Points

- LIQUID ASSETS

The following points will be deducted from the total household points assigned for income where the household’s liquid assets exceeds the limits described below (liquid assets are defined

as the total cash available to the applicant including, but not limited to, cash, checking accounts, savings accounts, stocks, bonds, certificates of deposit, mutual funds, etc., minus a \$1,000 allowance for working capital). Liquid assets point deductions are as follows:

Over \$20,000 & up to \$25,000	Deduct 2 Points
Over \$25,001 & up to \$30,000	Deduct 4 Points
Over \$30,001 & up to \$40,000	Deduct 6 Points
Over \$40,001 & up to \$50,000	Deduct 8 Points
Over \$50,001	Deduct 12 Points

(Refer to Appendix 9 for the “Applicant Ranking Sheet” used in the assignment and deduction of points to applications received). Rank ordering of applications received during the initial application intake period (according to the above criteria) can follow the individual assignment and deduction of points to those individual applications received. The community will prepare a written summary of the rank order in which applications will be processed.

7.3 Applicant Eligibility Determination and Verification Process

As stated in Section 4.1, applicants must be owner-occupants, be able to show proof of ownership, must have resided in their dwelling for one (1) year prior to the date of their application for program assistance and, most importantly, they must be income eligible. Ownership, occupancy, and tenure will all be verified and documented by the city through county and/or other public records.

Up to four (4) verified and eligible applicants will be notified in writing that the housing rehabilitation assistance award has been reserved in their name for up to two (2) months. The amount of funds available will determine how many applications will be funded. The applicant will have up to two (2) months to furnish the program administrator with proof that they have financing in place, if necessary. Housing Rehabilitation Assistance awards may be de-obligated from an applicant who does not meet the two-month deadline. Applicants still interested in the Housing Rehabilitation Program must re-apply as a new applicant.

In the event that the property does not comply with program requirements, program staff will notify the applicant in writing the reason the property does not comply with program requirements.

The city will verify and document an applicant’s annual household income including verification forms for allowable income inclusions and exclusions, verification forms for documenting property eligibility requirements, verification forms for documenting allowable deductions for determining adjusted gross household income, and verification forms for documenting housing expenses. Appendix 4 is a form, which can be used for calculating annual gross household income.

HUD’s income limitations, for Pottawattamie County, by household size, can be found in Appendix 5. Additional documentation may also be obtained by the city to further substantiate

an applicant's annual (gross) household income (i.e., obtain a copy of the applicant's state and/or federal income tax forms from the previous tax year).

Once an applicant's income has been verified, the verification is valid for six (6) months only. The income verification must be updated if more than six months transpires from the initial verification and the commitment of the city's program funds. If the city receives an application when no funds are available the applicant's eligibility will be determined and the applicant will be notified of their status. When funds become available they will then be disbursed to eligible applicants that applied earliest. If six (6) months or more pass from when an applicant was initially determined to be eligible, that applicant will need to be reverified to determine continued eligibility.

In addition to documenting that an applicant meets the ownership, occupancy, tenure and income eligibility requirements, sufficient documentation must be obtained to clearly indicate that the applicant's property also meets all applicable property eligibility requirements as described in Section 4.2.

Applicants will be notified of their Program Eligibility/Ineligibility only after all verification and documentation is complete.

7.4 Homeowner Contribution

Assisted property owners may have to contribute toward rehabilitating their properties.

The percentage of an assisted property owner's Adjusted Income for Homeowner Contribution expressed as a percentage of HUD's median household income (100%), by household size for the area, determines the amount of household contribution. This is depicted in the sliding scale chart below:

<u>Percentage of AIHC to HUD</u>	<u>Household Contribution</u>
0 – 60% of area MHI	No contribution
61 to 70% of area MHI	16.6% of assistance (not to exceed \$2,500)
71 to 80% of area MHI	33.3% of assistance (not to exceed \$5,000)

This homeowner contribution, where necessary, will be used in the determination of the level of benefit as discussed in Section 7.9.

7.5 Initial Property Inspection

Following eligibility determination and verification, the city's housing rehabilitation inspector will arrange with the property owner, a date and time in which to conduct an initial inspection of the property to be assisted.

The purpose of the initial inspection is to determine the scope of work to be accomplished with the rehabilitation of that property. The initial inspection will be conducted in order to verify the presence and condition of all components, systems, and equipment of the property owner's dwelling and property, and to identify any and all items that do not conform to Iowa's Minimum Housing Rehabilitation Standards.

7.6 Work Write-up (Project Specifications)

From the data and information gathered by the rehabilitation inspector during the initial inspection, the project bid specifications will be generated. The bid specification document is used by the city in the formulation of a cost estimate. The bid specification document eventually becomes part of the procurement process and contract for a contractor.

All work write-ups will be written so that participating contractors that bid on the project will submit itemized bids (i.e., an individual line item cost for each individual line item of the bid specification document).

7.7 Cost Estimate

Prior to finalizing the city's financial commitment to the project and prior to the procurement of a contractor(s) to accomplish the work, the city will prepare a written cost estimate for each project. The city's cost estimate will also be depicted in itemized form. The city's cost estimate will be identified as such, be signed (or initialed) by the rehabilitation inspector, and dated.

The primary purpose of the city's written cost estimate is to initially determine if projects are financially feasible to undertake, and secondarily to ensure the cost reasonableness of contractor's bids that are received for that project.

7.8 Infeasible Structures

Depending on the extent of work necessary to bring a dwelling and the property as a whole into conformance with Iowa's Minimum Housing Rehabilitation Standards, the city may find a dwelling that is structurally and/or financially infeasible to rehabilitate. The city will apply the following formula to all projects in order to determine if that project is feasible for rehabilitation.

“If the cost of rehabilitation (based on the rehabilitation inspector's cost estimate) is at or greater than fifty percent (50%) of the replacement value for that size of unit, the proposed project will be considered infeasible to rehabilitate”.

NOTE 1: The estimated cost of rehabilitation would include all sources of funds, not just the city's program funds.

NOTE 2: Replacement value will be based on sixty-five dollars (\$65) per square foot with no basement space figured in; not including porches, breezeways, or attached garages; and with no square footage cost differential in treating second (or more) floors in the computation of total square footage.

Where a dwelling is determined infeasible for rehabilitation using the above formula, the city reserves the right to withdraw its offer of financial assistance toward that project and to its property owner.

7.9 Level of Benefit / Financial Commitment

The level of benefit available to eligible applicants can best be described as the city's preliminary projection of program funds (including the form, or forms of assistance and the amount, or amounts of assistance) to be applied toward a rehabilitation project.

Based on the city's cost estimate of all work items needed to bring the applicant's dwelling and property into conformance with the rehabilitation standards and the city will determine if the applicant's dwelling and property are feasible to rehabilitate. Using the city's cost estimate as the probable cost of construction for that project, the city will first subtract the amount of all other sources of funds combined that will be applied toward that project, including homeowner contribution, to arrive at the amount of funds needed from the city's program funds.

7.10 ~~Historical Clearance~~ (Section Deleted: April 2004)

7.11 Contractor Requirements

In order to participate as a contractor in the city's owner-occupied rehabilitation program, the following minimum requirements must be met. All contractors must:

- Be registered with the State of Iowa, Department of Labor;
- Meet any and all heal licensing requirements; and
- Provide current and active insurance certificates that document sufficient insurance coverage;

7.12 Contractor Procurement

The procurement of contractors for individual rehabilitation projects will be undertaken by the applicant. Applicants will be required to secure at least two (2) bids from eligible contractors.

The city will perform a verification of the bids received (i.e., to ensure true itemized bids submittal, to verify and to recalculate the contractor's figures, consider alternate bids sought after and received, etc.). A bid tabulation sheet will be prepared by the project administrator reflecting all bids provided by the applicant, as well as the cost estimate amount prepared by the program's inspector. (Refer to Appendix 7 for the Bid Summary" form). All contractors submitting bids must also include a non-collusion affidavit with their submissions. (Refer to Appendix 8 for the "Non-Collusion Affidavit").

7.13 Contract Execution

Following receiving contractor bids, but prior to the award of a construction contract, the city will reevaluate all forms and amounts of assistance to be applied toward that project and finalize its financial commitment to that property owner. The city's loan documents will be prepared for signing.

Following notification of award to the successful contractor, the applicant/contractor will be required to provide a rehabilitation construction contract. This contract shall incorporate the approved work program specs prepared by the program inspector. Concurrent with the signing of a contract, the property owner will execute the promissory note and mortgage lien and forgivable loan documents discussed in Section 5.0.

Also prior to contract execution, the successful contractor must submit a complete list of the materials and equipment suppliers and a complete list of subcontractors intended for use.

Following contract execution, the city will issue a notice to proceed to the contractor. (Refer to Appendix 9 for the "Notice to Proceed").

7.14 Pre-Construction Conference

Prior to the start of construction, the city will hold a pre-construction conference with the property owner, contractor, and the city rehabilitation inspector. At the pre-construction conference, the final specification document will be reviewed by all parties, line item by line item, to ensure a thorough understanding of the work to be accomplished. Additionally, the responsibilities of all parties will be thoroughly discussed. The various processes and procedures involved in completing the project will also be covered (i.e., change order procedures, contractor payment processes, grievance / dispute resolution procedures, etc.). (Refer to Appendix 10 for the Grievance and Dispute Resolution Procedure Notice" form to be presented to both the property owner and the contractor at the pre-construction conference).

7.15 Construction Supervision

Throughout the term of construction for individual rehabilitation projects, the project administrator and city rehabilitation inspector will oversee the work accomplished by the contractor and subcontractors.

Construction supervision will be accomplished primarily through periodic on-site inspections by the city rehabilitation inspector. Inspections relating to contractor payment requests and any inspections relating to change order requests will all occur as necessary. All inspections must be documented in individual project files.

The main purpose of construction supervision is to ensure that all work specified in an individual project work write-up is completed, completed in a satisfactory workmanship manner, and completed in a timely manner.

7.16 Change Orders

During the course of construction, the city, project administrator, or city rehabilitation inspector may find it necessary to change the bid specification document on any given project. Changes occur with any addition to or with any deletion of items to be accomplished, or with any other change that may occur to the original work specifications that alter the scope of work in any way. Change orders are needed for any and all substitutions that are made to the project as well, even if the dollar value of that work item remains unaffected. Change orders are also needed for time extensions to the rehabilitation construction contract. Any and all changes to the contract work write-up require a fully executed change order signed by all parties to the contract. (Refer to Appendix 11 for the "Change Order" form)

7.17 Contractor Payment Procedures

All payments to contractors are to be based on work completed at the time of the payment request. With all payment requests received by the city, the city rehabilitation inspector will conduct an inspection to verify that the work, for which payment is sought, is successfully completed. No payment requests will be honored prior to the city rehabilitation inspector conducting an inspection. (Refer to Appendix 12 for the "Request for Payment" form).

All materials, supplies and equipment purchased by the contractor (including subcontractors) for a particular rehabilitation project must be installed (and satisfactorily installed) prior to making payment for those items. Payment requests for materials, supplies and equipment stockpiled on a job site and not yet installed will not be honored until the contractor (or subcontractor) has satisfactorily installed them.

Contractors may be paid lump sum at the completion of projects, or may seek partial payments throughout construction with a final payment request at the completion of the project. The city will withhold a minimum of *twenty* percent (**20%**) from all partial payment requests received from contractors. All withholding from partial payment requests will be paid to the contractor with the final payment request.

In addition to a required inspection prior to making payment to contractors, the city must receive fully executed lien waivers from the contractor for all materials and supplies, equipment, and labor costs for which payment is being sought. Where partial payment request are made by contractors, fully executed partial lien waivers are also necessary prior to the city honoring the contractor's partial payment request. (Refer to Appendix 13 for the "Lien Waiver" form).

Specifically, all fully executed liens waivers applicable to the first partial payment request must be received by the city before payment will be made on the contractor's second partial payment request. Subsequent partial payment requests will follow this procedure, whereby lien waivers for the previous partial payment request are required prior to the city honoring subsequent partial payment requests. For final payment, fully executed lien waivers are required prior to the city honoring the final payment, including the payment of funds previously withheld from partial

payments. The property owner's concurrence and acceptance of all work for which payment is being sought should be obtained prior to the city making payments to contractors.

7.18 Project Completion / Acceptance

Upon completion of construction, a final inspection of the rehabilitation work accomplished on that project. A final inspection will be conducted by the city rehabilitation inspector in the presence of the contractor and property owner. It is desired that the contractor attend the final inspection to make note of and to clarify any unfinished and/or questioned work.

The final inspection is made to ensure that all work was accomplished in accordance with the work specifications and any change orders that were issued, and to ensure that work was accomplished in a satisfactory manner. Should any work items remain unfinished or in need of rework, a punch-list will be formulated by the city rehabilitation inspector and presented to the contractor for finalization prior to final acceptance and final payment. If work, or rework remains, a time frame for completion of such items will also be specified in the punch-list. When all work is determined to be satisfactorily completed, the city will execute the Final Completion and Acceptance of work form found in Appendix 14. This form requires the actual date of completion and acceptance as well as the signatures of all parties. The date on the Final Completion and Acceptance form signifies the start of the required period (term) tied to the city's receding forgivable loan as well as the term tied to any direct repayable loans from the city.

Following the execution of the Final Completion and Acceptance form, the city can issue final payment and the payment of all withholding from previous partial payment requests, assuming all lien waivers have been executed by the contractor and are in the city's possession. Prior to making final payment and the payment of withheld funds to the contractor, all manufacturers and suppliers warranties must have been conveyed to the property owner by the contractor.

8.0 Program Administration

City

The overall authority for the implementation and administration of the city's owner-occupied rehabilitation program is with the city itself. This responsibility rests with the chief elected officials of the city (i.e., mayor and city council).

The primary responsibility of the city is to ensure compliance with all applicable state and federal requirements governing the program funds associated with the city's owner-occupied rehabilitation program.

Rehabilitation Committee

The city will establish a local oversight committee. This Rehabilitation Committee will be appointed by the chief elected official and be charged with certain programmatic responsibilities. Responsibilities of the Rehabilitation Committee include, but are not limited to:

- Final approval authorization of all applications for assistance;
- Individual rehabilitation construction contracts approval authorization;
- Grievance and dispute resolution responsibilities;
- Representation during final inspection;
- Long-term monitoring responsibilities to ensure that assisted properties remain the principal places of residence to the assisted property owners for the prescribed period tied to its receding forgivable loans; and
- Oversight of repayable loan repayments and/or recaptured funds from any receding forgivable loans or repayable loans that go into default.

Program Administrator and Housing Rehabilitation Inspector

The city will designate certain staff for the day-to-day programmatic administrative responsibilities. This may be city staff or designated staff of a third party administrative entity under contract with the city. Those responsible for the day-to-day programmatic administration may be one or more persons.

The primary responsibilities of the program administrator and/or city rehabilitation inspector include, but are not limited to:

- Marketing of the program to applicants and contractors;
- Application intake and processing;
- Ranking of applications received;
- Property and applicant eligibility determination processes;

- Verification of information received from applicants documenting their eligibility to participate;
- Initial inspections;
- Work write-ups;
- Cost estimates;
- Feasibility determinations;
- Level of benefit of assistance determination processes;
- Historic Clearances;
- Contracting; Construction supervision (inspections, change orders, contractor payments, etc.); Project completion and acceptance oversight; Grievance and dispute resolution responsibilities; and
- Progress reporting to the Rehabilitation Committee and the city.

9.0 Grievance and Dispute Resolution

Step 1: Any grievances or disputes arising between a property owner and the contractor(s) will initially be mediated by the program administrator and/or city rehabilitation inspector. It is the grieving (or disputing party's obligation to contact the city's program administrator and/or rehabilitation inspector with a detailed account of the issue(s) comprising the grievance or dispute. The program administrator and/or city rehabilitation inspector will make a determination of resolution on the issue(s) brought to their attention and convey to both the property owner and the contractor a course of action to be taken, in what time frame, and by whom.

Step 2: Should either party contest the program administrator's and/or city rehabilitation inspector's initial decision, a request for an appeal hearing by the city's rehabilitation committee may be made. This request must be made in writing. The city's rehabilitation committee will set a date, time and place for this appeal hearing and notify the parties of it. The rehabilitation committee will make their determination at their meeting and convey their determination of resolution to the issue(s) raised, in writing, to both parties. The rehabilitation committee's determination will convey to both parties a course of action to be taken, in what time frame, and by whom.

Step 3: Should either party contest the rehabilitation committee's decision, a request to appeal this decision may be made to the City of Underwood. The decision of the city will be conveyed, in writing, to both parties. The city's determination will convey a course of action to be taken, in what time frame, and by whom. The decision of the city will be final and binding on all parties.

Step 4: In the event that the grievance or dispute remains unresolved to the satisfaction of either party, the right to file legal action remains the last and only recourse available to the grieving or disputing party.

Should a grievance or dispute arise between the property owner or the contractor and the program administrator and/or city rehabilitation inspector, the procedure to follow is the same as described above, except that Step 1 would be omitted.

List of Appendices

For Underwood Housing Rehabilitation Administration Plan

1. Iowa's Minimum Housing Rehabilitation Standards
2. Forgivable Loan Mortgage and Forgivable Loan Promissory Note
3. Application for Underwood Owner-Occupied Housing Rehabilitation Program
4. Calculation of Adjusted Gross Household Income and Homeowner Contribution
5. HUD Median Income Limits for Pottawattamie County
6. Bid Tabulation Form
7. Non-Collusion Affidavit
8. Notice to Proceed Form
9. Grievance and Dispute Resolution Procedure Form
10. Change Order Form
11. Contractors Request for Payment form
12. Lien Waiver Form - to be submitted by Contractor
13. Acceptance of Completed Work Form
14. Housing Rehabilitation Comprehensive Inspection Document and Site Inspection Form (on-site survey inspection)
15. Underwood Owner-Occupied Housing Rehabilitation Specification Manual